

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws and may not be offered or sold in the United States except pursuant to an applicable exception from, or in a transaction which is not subject to, the registration requirements of the US Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. No offer is being made in the United Kingdom in circumstances that would require this prospectus to have been approved by the United Kingdom Financial Services Authority under section 85 of the Financial Services and Markets Act 2000 or the Prospectus Rules published by the United Kingdom Financial Services Authority implementing the European Prospectus Directive (2003/71/EC). See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

June 25, 2007



GENESIS WORLDWIDE INC.

\$20,000,000

10,000,000 Common Shares

This prospectus qualifies the distribution (the "Offering") of 10,000,000 common shares (the "Common Shares") of Genesis Worldwide Inc. ("Genesis" or the "Company"). The Offering price of the Common Shares has been determined by negotiation between the Company and the underwriters of this Offering, Canaccord Capital Corporation ("Canaccord"), CIBC World Markets Inc. and TD Securities Inc. (collectively, the "Underwriters"). See "Plan of Distribution".

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell Common Shares purchased under this prospectus. The Company has applied to list its Common Shares on the Toronto Stock Exchange (the "TSX") and for its Common Shares to be admitted to trading on the AIM Market of the London Stock Exchange ("AIM"). Listing and admission will be subject to the Company fulfilling the listing requirements of the TSX and the admission requirements of AIM, respectively. In connection with this Offering, the Underwriters may, subject to applicable laws, over-allot or effect transactions that stabilize or maintain the price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

An investment in the Common Shares is speculative and involves a high degree of risk. A prospective purchaser should carefully review and consider the risks of an investment in the Common Shares. See "Risk Factors".

Price: \$2.00 Per Common Share

	Price to the Public ⁽¹⁾	Underwriters' Fees ⁽²⁾⁽³⁾	Net Proceeds to Genesis ⁽⁴⁾
Per Common Share	\$ 2.00	\$ 0.12	\$ 1.88
Total Offering ⁽⁵⁾	\$20,000,000	\$1,200,000	\$18,800,000

Notes:

- (1) The public offering price of the common shares offered in Canada and the United States is payable in Canadian dollars and the public offering price for the Common Shares offered in the U.K. and in other jurisdictions of Europe of £0.94 per Common Share is payable in U.K. pounds sterling, except as may otherwise be agreed by the Underwriters. The U.K. pounds sterling amount is the approximate equivalent of such Canadian dollar amount based on the prevailing U.K. pounds sterling-Canadian dollar exchange rate of £1.00 = Cdn\$2.1325 on June 22, 2007.
- (2) The Underwriters will receive a fee of 6% of the price of the Common Shares offered hereby. Canaccord, or an affiliate of Canaccord, will receive a fee of £125,000 for its services as financial advisor. See "Plan of Distribution".
- (3) Genesis has agreed to grant an option to the Underwriters, entitling the Underwriters to acquire from Genesis, at the Offering price, a number of Common Shares equal to an aggregate of 5% of the number of Common Shares sold by Genesis under the Offering, including Common Shares issued as a result of the exercise of the over-allotment option described below, for a period of 12 months following the completion of this Offering (the "Compensation Option"). This prospectus also qualifies the distribution of the Compensation Option. See "Plan of Distribution".
- (4) After deducting the Underwriters' Fee, but before deducting expenses of the Offering, estimated at \$3,700,000, which expenses will be paid by Genesis from the proceeds of the Offering.
- (5) Genesis has agreed to grant to the Underwriters an option, exercisable for a period of 30 days from the closing of the Offering, to purchase up to a total of 1,500,000 additional Common Shares (being 15% of the number of Common Shares offered hereby) on the same terms as set out above solely to cover over allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fees" and "Net Proceeds to Genesis" will be \$23,000,000, \$1,380,000 and \$21,620,000, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable on the exercise of the Over-Allotment Option. See "Plan of Distribution".

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The Underwriters collectively, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued, sold and delivered by Genesis and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution”, and subject to approval of certain legal matters on behalf of Genesis by its counsel, Stikeman Elliott LLP, and on behalf of the Underwriters by their counsel, McCarthy Tétrault LLP. If the Over-Allotment Option described above is exercised in full, then an additional 1,500,000 Common Shares will be issued by Genesis. See “Plan of Distribution”.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice.

Book entry only certificates representing the Common Shares will be issued in registered form to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on the closing of the Offering, which is expected to occur on or about July 3, 2007, or such later date as Genesis and the Underwriters may agree but in any event not later than August 9, 2007. Genesis has, as required by the rules of AIM, made arrangements for the Common Shares to be settled through CREST in the form of CREST Depository Interests (“CDI”). CREST is an electronic settlement system operated by CrestCo. Limited in London, England which facilitates transfer of title of securities in uncertified form. Securities of most companies not incorporated in the United Kingdom cannot be held and transferred directly in the CREST system and therefore CDIs facilitate trading and settlement of securities of such companies in CREST. All Common Shares traded on AIM may be settled through CREST.

This prospectus also qualifies the distribution of the common share purchase warrants issuable upon the exercise of special warrants issued to the holders of certain debentures as further described herein. See “Options and Warrants to Purchase Securities”.

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GENERAL MATTERS

Except where otherwise indicated, all information in this prospectus assumes that there is no exercise of the Over-Allotment Option or any other options or warrants granted or issued by the Company (see “Plan of Distribution” and “Options and Warrants to Purchase Securities”).

References in this prospectus to “Genesis” or the “Company” refer to Genesis Worldwide Inc. and include its subsidiaries, where the context requires.

Percentages in tables have been rounded and accordingly may not add up to 100 percent. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this prospectus may vary slightly from the actual arithmetical totals of such data.

Genesis prepares consolidated financial statements in Canadian dollars and in conformity with Canadian generally accepted accounting principles (“GAAP”).

Apart from the consolidated financial statements of the Company for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, no other information in this prospectus has been audited by the Company’s auditors.

Genesis is the Company’s trade name and the Company has registered “Genesis” and the accompanying design in Canada and the United States. This prospectus contains references to “Genesis” and “genesisworldwide.com”, as well as product names, trade names, trade marks and service marks of the Company, all of which are the property of the Company.

Information contained on Genesis’ website, www.genesisworldwide.com, does not form part of this prospectus and is not incorporated herein by reference and may not be relied upon by prospective purchasers for the purposes of determining whether to invest in the Common Shares offered under this prospectus.

CURRENCY AND EXCHANGE RATES

In this prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars. References to “\$” are to Canadian dollars and references to “£” are to UK pounds sterling.

The following table reflects the high and low rates of exchange for one pound sterling, expressed in Canadian dollars, during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada noon spot rate of exchange:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
Low	2.2557	1.9806	1.9806	2.0036	2.2017
High	2.3450	2.0661	2.2824	2.4032	2.5237
Period end	2.2697	2.0299	2.2824	2.0036	2.3062
Average rate ⁽¹⁾	2.2903	2.0244	2.0886	2.2067	2.3842

Note:

(1) Average of month-end noon spot rates.

On June 22, 2007, the noon rate of exchange as reported by the Bank of Canada for conversion of UK pounds sterling into Canadian dollars was £1.00 = \$2.1325 (£0.4689 = \$1.00).

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to Genesis, and McCarthy Tétrault LLP, counsel to the Underwriters, the Common Shares, if and when listed on a prescribed stock exchange for purposes of the *Income Tax Act* (Canada) (the “ITA”) (which currently includes the TSX but not AIM), will be qualified investments under the ITA for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains “forward-looking statements” which reflect the current expectations of management of the Company regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “may”, “would”, “could”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this prospectus. These factors should be considered carefully and prospective purchasers of Common Shares should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this prospectus are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus and the Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements.

THIRD PARTY INFORMATION

This prospectus includes market share information and industry data and forecasts regarding the global construction market, or the Company’s position therein, which were obtained or derived from independent industry publications, reports, articles and surveys, as more particularly described herein. In relation to these sources, such information has been accurately reproduced from the information published by the third parties referred to above and, as far as the management of the Company and the Directors are aware and are able to ascertain from the information provided by the providers of these sources, no facts have been omitted that would render such information inaccurate or misleading. References in this prospectus to research reports, surveys or articles should not be construed as depicting the complete findings of the entire referenced report or article. The information in any such report, survey or article is not incorporated by reference into this prospectus. The source of any such report, survey or article has been identified on the page in which it appears in this prospectus.

Although management of the Company and the Directors believe these sources to be reliable, Genesis has not independently verified any of the data nor ascertained the underlying economic assumptions relied upon therein. Some data is also based on Genesis’ estimates, which are derived from its review of internal surveys, as well as independent sources. Genesis cannot and does not provide any assurance as to the accuracy or completeness of such included information. Market forecasts, in particular, are likely to be inaccurate, over long periods of time.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution (the “Offering”) only and should be read together with, and is qualified in its entirety by, the more detailed information, financial data and consolidated financial statements, including the notes thereto, contained elsewhere in this prospectus. Prospective purchasers should carefully review the entire contents of this prospectus.

GENESIS WORLDWIDE INC.

Introduction

Genesis Worldwide Inc. (“Genesis” or the “Company”) develops and licenses structural building technology aimed at the residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. The Genesis Solution includes: (i) proprietary software applications; (ii) proprietary industrial manufacturing technologies; (iii) innovative structural products; and (iv) the provision of a wide range of services and support to licensees.

The Company also sells light steel building structures using the Genesis Solution to builders and real estate developers primarily in the Greater Toronto Area through its wholly-owned subsidiaries, KML Engineered Homes Ltd. (“KML”) and Light Steel Joist Solutions Inc. To date, approximately 350 building projects, representing more than 9.5 million square feet (approximately 892,000 square meters), have been built by KML using the Genesis Solution. See also “Business of Genesis — Introduction and History”.

Revenues for the three-month periods ended March 31, 2007 and March 31, 2006 were \$3,989,298 and \$4,687,134, respectively, and for fiscal year ended December 31, 2006 were \$20,212,768, up from \$17,127,619 for the previous year. During the same period, revenues from licensing activities increased from \$190,070 in 2005 to \$3,506,945 in 2006. Genesis expects the relative importance of licensing revenue to increase over time, as new licensees launch operations worldwide. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Industry Overview

The main structural and load-bearing components of a building are its wall, floor and roof structures, which typically represent the largest single cost in a building’s construction. Based on a 2005 report by Market and Business Development, a market research organization, the Company estimates the annual new construction building market within the European Union in 2004 to have been approximately £653 billion, of which the structural building market component represented approximately 20%. According to the 2005 U.S. Census, the new construction building market in the United States was estimated to have been approximately US\$1.1 trillion in 2005, of which the structural building market component represented approximately 20%. Management believes that the “six storeys and under” segment represents a significant component of these structural building markets. This segment of the building market includes a variety of residential, commercial, institutional and industrial buildings, such as multi-family town homes, single family housing developments, custom homes, low-rise apartments and condos, long-term care facilities, hotels, restaurants, small shopping centres and schools.

Management believes that the application of technology to design, manufacture and install building structures is still in its infancy. In recent years, the construction industry has come under pressure to innovate due to a shortage of skilled labour, more stringent building standards, rising material costs and the growing interest in the “green” building movement. Management believes that these factors may contribute to an increased adoption of technology in the construction industry in the future.

Construction methods can either be characterized as “on-site” or “off-site”. Traditional materials used in building structures are primarily wood in North America, and masonry or concrete in Europe. Genesis believes that these traditional materials and methods of construction can influence the quality of a building structure, the costs associated with its construction, as well as the impact the building has on the environment. Furthermore, management believes that most of these issues can be addressed through an engineered process which uses light steel.

The Genesis Solution is designed to make the use of light steel cost effective as a structural building material in the residential, commercial and institutional building markets, regardless of design. See also “Business of Genesis — Industry Overview”.

The Genesis Solution and the Building Process

The Genesis Solution is a turn-key solution for the custom design, manufacture and installation of complete light steel building structures. Using the Genesis Solution, a building structure is typically designed, manufactured and installed by the Company and licensees as follows:

1. The licensee’s designers and structural engineers use the Genesis Solution’s proprietary software not only to develop a three-dimensional model from the architect’s design and address any structural or design inconsistencies, but also to plan for structural accommodation of downstream trades (e.g. plumbing, electrical and heating).
2. The engineered light steel structure is then divided into individual panels utilizing the Genesis Solution’s proprietary software that can be manufactured off-site in a controlled environment.
3. The computer-generated technical specifications for each panel component are uploaded to light steel cold forming equipment, producing individual structural components to exact lengths and specifications with limited waste.
4. The pre-cut structural light steel components are assembled by Genesis’ semi-automated platform in a controlled off-site manufacturing environment to form custom wall, floor, and roof panels.
5. The manufactured light steel panels are then sequentially loaded on flat bed transport trucks and delivered to the construction site just in time for the on-site installation of the structure.
6. Once delivered, the light steel structural components can be quickly assembled by a small team of installers.
7. The result is a complete light steel building structure with wall, floor, and roof sheathing, which is ready to accept most builders’ finishes and downstream trades.

The Genesis Solution can be applied to most types of buildings that are “six storeys and under”. See also “Business of Genesis — Industry Overview”.

The Genesis Solution

The Genesis Solution includes: (i) proprietary software applications; (ii) proprietary industrial manufacturing technologies; (iii) innovative structural products; and (iv) the provision of a wide range of services and support to licensees.

Proprietary software applications are integral in the use of the Genesis Solution throughout the building process, from the design stage to the manufacturing of structural components. These software applications are able to improve efficiency by allowing licensees to address structural issues prior to on-site construction, to minimize excess use of construction materials and to increase the speed at which a structure is completed. They also address operations and management requirements and provide a complete enterprise resource planning system that was developed specifically with the needs of licensees in mind.

The Company’s proprietary software generates data that is used by the manufacturing technologies of the Genesis Solution to produce light steel structural components to precise specifications in accordance with design data.

The Genesis Solution utilizes light steel which can be engineered to form innovative structural products. Light steel’s inherent flexibility enables it to be cold formed and connected together using a variety of fastening techniques. This flexibility creates an opportunity to arrive at innovative shapes and designs that can result in a reduction of the amount of light steel used for a structure, while improving its strength. The Company’s research on how light steel is bent, shaped and fastened together, and how components interact together once fastened, has led to the development of new and innovative products such as the i-SPAN floor joist product line.

The Genesis Solution includes the provision of services in connection with operational planning, design, training and support. As part of its support services, Genesis offers expertise, and industry and technology

know-how in order to assist licensees in the development of their businesses. The services offered as part of the Genesis Solution are provided at the discretion of the licensee and on a fee-for-service basis.

See also “Business of Genesis — The Genesis Solution”.

Business Model

The Company intends to grow by implementing a business model that focuses on the licensing, in whole or in part, of the Genesis Solution on a global basis, with a particular emphasis on Europe and North America. This approach allows the Company to combine its proprietary technology with the local market knowledge and established presence of its licensees to expand the Company’s global market presence. Each licensee serves its local market and adapts the Genesis Solution to the market’s specific architectural requirements. The Genesis Solution is flexible enough to enable licensees to address a wide range of project types, architecture and building code requirements. See also “Business of Genesis — Business Model”.

Genesis’ Competitive Advantages

While there are other enabling technologies for the use of light steel in structural products, management believes the Company’s competitive advantages to include the following:

- the Company’s proprietary technology allows for flexibility in design and custom manufacturing;
- the Company’s business model, which focuses on licensing the Genesis Solution, allows the Company to accelerate international deployment of its technology;
- the Genesis Solution is a complete turn-key solution which provides software applications, innovative products, industrial equipment and services; and
- the Company’s focus on innovation and research and development.

See also “Business of Genesis — Genesis’ Competitive Advantages”.

Genesis’ Growth Strategy

The Company’s objective is to become a global leader in the provision of a complete “green” technology solution for the construction of building structures using light steel. To achieve its growth objectives, the Company plans to expand its geographical reach and continue investment in research and development. See also “Business of Genesis — Genesis’ Growth Strategy”.

Key Benefits Provided by the Genesis Solution

The Genesis Solution enables licensees to offer quality light steel structures to local builders in a cost effective manner. Genesis believes that its light steel structures offer significant cost benefits, green benefits and quality benefits to licensees, builders and consumers, by providing:

- **Cost Benefits** — The types of materials and processes used in a construction project affect costs associated with not only materials and labour, but also after-sales service, waste and waste disposal, financing, insurance and other upstream and downstream trade coordination. The Genesis Solution can assist in lowering these costs and increasing a builder’s revenues by allowing it to increase the speed at which a structure can be installed, thus allowing for more structures to be completed in a given period. Management believes that the Genesis Solution is cost competitive even in markets where alternative materials and labour are relatively inexpensive.
- **“Green” Benefits** — Management believes that, especially in North America and Europe, there is a growing interest in conservation and the use of environmentally sustainable products and processes, leading to the rise of a “green” building movement. The Genesis Solution can help builders and real estate developers obtain applicable environmental certifications by addressing issues in connection with the use and conservation of energy and materials as well as the indoor environmental quality of a building.
- **Quality Structures** — The Genesis Solution enables licensees to provide quality engineered structures to end users because of (i) the nature of light steel, and (ii) the methods and processes incorporated in the building process by the Genesis Solution.

See also “Business of Genesis — Key Benefits Provided by the Genesis Solution”.

THE OFFERING

Offering:	10,000,000 common shares (“Common Shares”)
Price:	\$2.00 per Common Share
Amount:	\$20,000,000 (\$23,000,000 if the Over-Allotment Option (as defined below) is exercised in full and \$24,150,000 if the Compensation Option (as defined below) is also exercised).
Over-Allotment Option:	Genesis has agreed to grant the Underwriters an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to purchase up to a total of 1,500,000 additional Common Shares (being 15% of the number of Common Shares offered hereby) on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. See “Plan of Distribution”.
Compensation Option:	The Company has agreed to grant the Underwriters an option (the “Compensation Option”) exercisable for a period of 12 months from the completion of the Offering, to purchase at the Offering price that number of Common Shares equal to 5% of the aggregate number of Common Shares distributed pursuant to this Offering, including Common Shares distributed pursuant to the exercise of the Over-Allotment Option. See “Plan of Distribution”.
Shares Outstanding:	There are currently 20,982,858 Common Shares issued and outstanding after giving effect to the capital reorganization described below under “Description of Share Capital — History of Share Capital”. There will be 30,982,858 Common Shares outstanding immediately following the closing of the Offering. This represents an immediate dilution of 68% for existing holders of the Common Shares. If the Over-Allotment Option is exercised in full, an additional 1,500,000 Common Shares will be issued and outstanding, representing an immediate dilution of 65% for existing holders of the Common Shares. In addition to the Over-Allotment Option, if the Compensation Option is exercised in full, an additional 575,000 Common Shares will be issued and outstanding, representing an immediate dilution of 63% for existing holders of the Common Shares. See “Consolidated Capitalization”.
Use of Proceeds:	<p>The net proceeds of the Offering, after deducting the Underwriters’ fees and the expenses of the Offering, are estimated to be \$15,100,000. The estimated net proceeds are expected to be used as follows (in order of priority):</p> <ul style="list-style-type: none">(i) up to \$1.0 million to fund an expansion of the sales, marketing and customer support capabilities for the Company’s licensing activities;(ii) up to \$500,000 to fund an expansion of the sales, marketing and project management capabilities for the Company’s structural products;(iii) up to \$3.0 million to install a complete coil-to-panel line at the Company’s new Vaughan, Ontario facility;(iv) up to \$500,000 to fund on-going research and development in the design and development of (a) new shapes of, and connections between, light steel components that would increase the strength-to-weight ratio of such components; (b) technologies that increase efficiencies throughout the manufacturing process; and (c) new services (e.g. electrical,

mechanical) to its panelized products which would improve the value and efficiency of such products to customers;

- (v) up to \$6.0 million to repay the outstanding principal, interest and penalties under the debentures held by 2007129 Ontario Inc. and Jetport Inc., each an insider of the Company. Such debentures were issued in 2006 to repay an operating credit facility previously provided by Royal Bank of Canada and for general corporate purposes; and
- (vi) the balance for general corporate purposes.

See “Use of Proceeds”.

Listing:

Genesis has applied to list the Common Shares on the Toronto Stock Exchange (the “TSX”) and for the Common Shares to be admitted to trading on the AIM Market operated by London Stock Exchange plc (“AIM”). Listing and admission will be subject to the Company fulfilling the listing requirements of the TSX and the admission requirements of AIM, respectively.

Risk Factors:

An investment in the Common Shares is speculative and involves a high degree of risk. Each purchaser should carefully consider the information set out under the heading “Risk Factors” and the other information in this prospectus before purchasing Common Shares.

Selected Consolidated Financial and Operating Information

The following sets forth selected consolidated financial information of Genesis as at December 31, 2006 and 2005 and for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 and for the three-month periods ended March 31, 2007 and March 31, 2006 and has been derived from Genesis' audited consolidated financial statements and unaudited consolidated interim financial statements appearing elsewhere in this prospectus. The selected consolidated financial information should be read in conjunction with the consolidated financial statements of Genesis and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

Consolidated Financial Information

Income Statement Data:

	Three Months Ended March 31		Year Ended December 31		
	2007	2006	2006	2005	2004
	\$	\$	(in thousands of dollars, except share data)		
	\$	\$	\$	\$	\$
Revenues					
Licensing	959	162	3,507	190	167
Structural products	3,030	4,525	16,706	16,938	26,776
Total revenues	<u>3,989</u>	<u>4,687</u>	<u>20,213</u>	<u>17,128</u>	<u>26,943</u>
Net loss for the period	(2,099)	(1,711)	(7,459)	(7,143)	(2,712)
Deficit, beginning of period	(41,534)	(33,961)	(33,961)	(26,818)	(24,106)
Deficit, end of period	<u>(43,633)</u>	<u>(35,672)</u>	<u>(41,420)</u>	<u>(33,961)</u>	<u>(26,818)</u>
Net loss per share — basic and diluted	(0.10)	(0.08)	(0.36)	(0.35)	(0.23)
Weighted average number of shares outstanding	20,982,858	20,982,858	20,982,858	20,505,852	11,852,014

Balance Sheet Data:

	As at March 31 2007	As at December 31	
	2007	2006	2005
	(in thousands)		
	\$	\$	\$
Cash and cash equivalents	849	1,011	7,835
Total assets	15,320	13,069	20,646
Total liabilities	16,703	12,249	12,401
Shareholders' equity (deficiency)	(1,383)	820	8,245

DEFINITIONS

The following definitions apply throughout this prospectus unless otherwise stated or the context otherwise requires:

Terms Relating to the Offering

“**Admission**” means the admission of the Common Shares to trading on AIM becoming effective in accordance with the AIM Rules;

“**AIM**” means the AIM Market operated by London Stock Exchange plc;

“**AIM Rules**” means the rules for companies admitted to AIM issued by London Stock Exchange plc as in force at the date of this prospectus;

“**Articles**” means Genesis’ Articles of Incorporation (as amended by Articles of Amendment dated November 29, 2004 and April 25, 2007);

“**Audit Committee**” means the audit committee of the Board;

“**Auditor**” means Ernst & Young LLP;

“**Autodesk**” means Autodesk Inc.;

“**BJI**” means Best Joist Inc.;

“**Board**” means the board of directors of Genesis, including a duly constituted committee thereof;

“**CBCA**” means the *Canada Business Corporations Act* (as amended);

“**CDI**” means a CREST Depository Interest;

“**City Code**” means the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers in the United Kingdom and, from time to time, any successor or replacement body thereof;

“**Closing Date**” means a date on or about July 3, 2007 or such later date as agreed to by the Company and the Underwriters but in any event before August 9, 2007;

“**Common Shares**” means the common shares without par value in the capital of the Company and includes those common shares issued pursuant to the Offering;

“**Compensation Committee**” means the compensation committee of the Board;

“**Compensation Option**” means the option to be granted by Genesis to the Underwriters on the Closing Date entitling them to acquire from Genesis, at the Offering price, a number of Common Shares equal to an aggregate of 5% of the number of Common Shares sold in the Offering, including Common Shares issued as a result of the exercise of the Over-Allotment Option, exercisable for a period of 12 months from the completion of the Offering.;

“**CRA**” means the Canada Revenue Agency;

“**CREST**” means the computerized system for the paperless settlement of share transfers in the United Kingdom operated by CrestCo. Limited, where securities may be held and transferred in uncertificated form;

“**Debentures**” means the debentures in the aggregate amount of up to \$6.0 million issued by the Company to 2007129 Ontario Inc. and Jetport Inc. on December 4, 2006;

“**Directors**” means the current directors of Genesis and “**Director**” means any one of them;

“**Escrow Agent**” means Computershare Trust Company of Canada;

“**Escrow Policy**” means *National Policy 46-201 — Escrow for Initial Public Offerings*;

“**GAAP**” means Canadian generally accepted accounting principles;

“**Genesis**” or the “**Company**” means Genesis Worldwide Inc., a company incorporated under the CBCA and includes its Subsidiaries where the context requires;

“**Governance and Nominating Committee**” means the governance and nominating committee of the Board;

“**Investor Rights Agreement**” means the investor rights agreement dated November 29, 2004 among the Company, 2007129 Ontario Inc., 1186274 Ontario Limited, J.L. Albright III Venture Fund, Royal Bank of Canada, Englefield House No. 1 Inc. and CGC Inc., as such agreement was amended from time to time;

“**ITA**” means the *Income Tax Act* (Canada) (as amended);

“**KML**” means KML Engineered Homes Ltd.;

“**Light Steel Joist**” means Light Steel Joist Solutions Inc.;

“**Listing**” means the listing of the Common Shares on the TSX;

“**Named Executive Officers**” means, for the Company, the Executive Chairman, the President and Chief Executive Officer and the Vice President Finance, Chief Financial Officer and Secretary;

“**New Preferred Shares**” means the preferred shares without par value in the capital of the Company authorized pursuant to the Company’s Articles of Amendment dated April 25, 2007;

“**NOMAD Agreement**” means the nominated advisor and broker agreement dated June 25, 2007 between Genesis, the Directors and Canaccord Adams Limited;

“**Offering**” means the distribution by Genesis of the Offering Shares;

“**Offering Shares**” means the 10,000,000 new Common Shares to be issued by Genesis pursuant to the Offering;

“**optionholder**” means a holder of options to purchase Common Shares;

“**OSA**” means the *Securities Act* (Ontario), as amended, together with related rules, regulations and instruments;

“**Over-Allotment Option**” means the option granted by Genesis to the Underwriters, exercisable for a period of 30 days from the Closing Date, to purchase up to a total of 1,500,000 additional Common Shares (being 15% of the number of Common Shares offered hereby) on the same terms as set out herein solely to cover over-allotments, if any, and for market stabilization purposes;

“**Register**” means the register of shareholders of Genesis required to be kept pursuant to the CBCA;

“**Special Resolution**” means a resolution that is either (i) passed by the holders of two-thirds of the issued Common Shares present in person or by proxy at a duly constituted meeting of shareholders; or (ii) consented to in writing by all of the shareholders entitled to vote on that resolution;

“**Stock Option Plan**” means the stock option plan of Genesis dated July 16, 2003, as amended on November 29, 2004, December 21, 2006 and as amended and restated as of June 21, 2007;

“**Subsidiaries**” means GenesisTP Inc., KML Limited Partnership, 6118216 Canada Inc., Light Steel Joist, KML, KML Building Solutions Inc. and Light Steel Installation Group Inc.;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means Canaccord Capital Corporation, CIBC World Markets Inc., and TD Securities Inc.;

“**Underwriting Agreement**” means the agreement dated June 25, 2007 between the Underwriters, the Directors and Genesis relating to, *inter alia*, the Offering, the particulars of which are set out in this prospectus under “Plan of Distribution”;

“**UK**” or “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland;

“**US**” or “**United States**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“**US\$**” means United States dollars, the lawful currency of the United States of America;

“**USG**” means United States Gypsum Company, the parent company of CGC Inc., a shareholder of the Company, and a related party of the Company;

“**US Securities Act**” means the United States Securities Act of 1933, as amended;

“**U.S. Sanctions Targets**” means countries or persons against which the United States maintains or may impose economic sanctions; and

“**Voting Agreement**” means the voting agreement dated November 29, 2004 among the Company, 2007129 Ontario Inc., 1186274 Ontario Limited, J.L. Albright III Venture Fund, Royal Bank of Canada, Englefield House No. 1 Inc. and CGC Inc., as such agreement was amended from time to time.

Technical Terms Relating to the Business of Genesis

“**BREEAM**” means the Building Research Establishment Environmental Assessment Method and is an established and widely used environmental assessment method for buildings. It is a standard for best practice in sustainable development and demonstrates a level of achievement for the builder;

“**cold formed**” means the process of forming galvanized light steel without the use of heat or chemical compounds;

“**curtain walls**” means the walls whose only purpose is to sustain lateral wind loads and enclose the building and do not support structural loads;

“**end connectors**” means the connectors whose purpose is to connect one structural element to another (e.g. floor beams to foundation walls);

“**framing system**” means the load resisting system of a structure transferring loads through interconnected structural members or components;

“**joist**” means one of the horizontal supporting members that run from wall to wall, wall to beam or beam to beam, to support a ceiling, roof or floor. A joist is often used to support a sub-floor;

“**LEED**” means Leadership in Energy and Environmental Design Council, which offers a third-party certification that awards points based on a building’s environmental performance;

“**light steel**” means the light steel made from steel of gauges ranging from 0.88 mm to 1.82 mm, which is cold formed into beams, wall studs, columns and joists, by bending, roll forming or cutting and otherwise tooling the steel. It is galvanized to prevent corrosion;

“**off-site**” means not on a construction site (e.g. in factories);

“**on-site**” means on a construction site;

“**shear wall**” means a wall designed to resist lateral forces parallel to the plane of a wall;

“**snap-in bridging**” means the steel element which connects floor joists for increased stability. Snap-in is the technique developed to connect bridging rapidly and consistently;

“**structural steel**” means a hot rolled steel construction material, formed into a specific shape and that complies with certain standards of chemical composition and strength. It is also referred to as ‘red steel’ and ‘iron work’; and

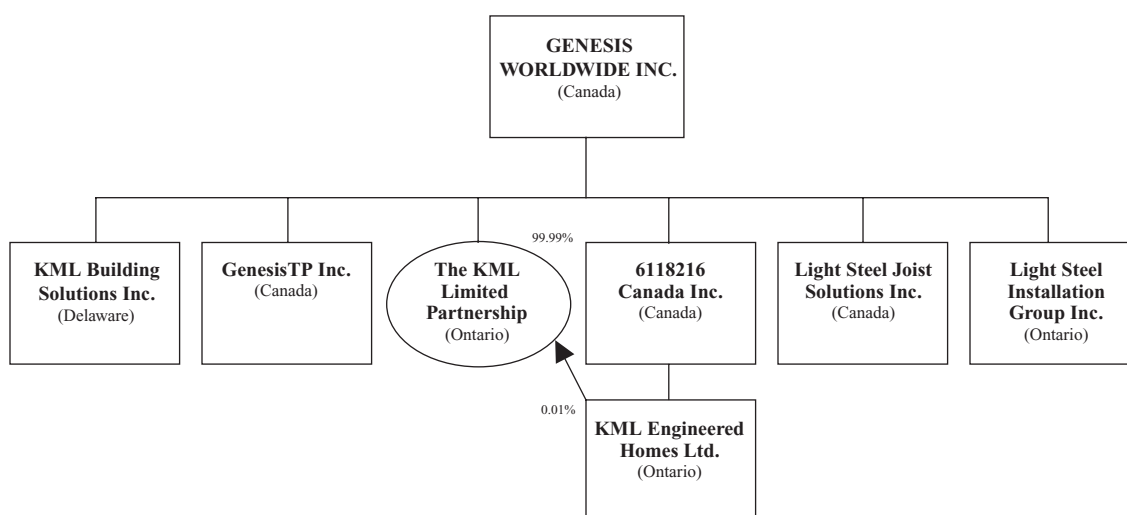
“**structural warping**” is what results when wood dries out after it is installed in a building. Since buildings are heated and kept at controlled humidity levels that are different than the ambient environment, moisture loss can cause the wood to warp. Under structural loading, the amount of warping can increase, causing cracking of finishes, gaps to form and nails to be ejected from the wood structure.

CORPORATE INFORMATION

Genesis Worldwide Inc. (“Genesis” or the “Company”) was incorporated in Canada under the *Canada Business Corporations Act* (the “CBCA”) by Articles of Incorporation dated July 16, 2003 with corporation number 611838-1, as amended by Articles of Amendment dated November 29, 2004 and April 25, 2007 (the “Articles”). See also “Description of Share Capital”. Its head office, registered office and principal place of business are located at 2430 Meadowpine Boulevard — Suite 105, Mississauga, Ontario Canada, L5N 6S2, telephone number (905) 285-9909.

The Company is the holding company of its subsidiaries (“Subsidiaries”). The following chart outlines the current corporate structure and the jurisdiction of incorporation of Genesis and each of its Subsidiaries. Each Subsidiary is directly or indirectly wholly-owned by Genesis.

Except as set out herein, there are no undertakings in which the Company holds a proportion of capital or ownership likely to have a significant effect on the Company’s assets and liabilities, financial position or profits and losses.



As part of its corporate reorganization, the Company expects to continue Light Steel Installation Group Inc. as a federal corporation and subsequently amalgamate Light Steel Installation Group Inc. with GenesisTP Inc. prior to completion of the Offering.

The Company has undertaken, in complying with its reporting obligations under applicable securities laws, (i) to treat each of its Subsidiaries as a subsidiary of the Corporation for financial reporting purposes in accordance with generally accepted accounting principles and, where applicable, provide separate financial statements and related management’s discussion and analysis for a Subsidiary; (ii) to take appropriate measures to require insiders of each Subsidiary to comply with reporting requirements and prohibitions against insider trading as if the Subsidiary were a reporting issuer; and (iii) to certify, on an annual basis, its compliance with the above undertakings.

BUSINESS OF GENESIS

Introduction and History

Genesis develops and licenses structural building technology aimed at the residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. The Genesis Solution includes: (i) proprietary software applications; (ii) proprietary industrial manufacturing technologies; (iii) innovative structural products; and (iv) the provision of a wide range of services and support to licensees.

The Company also sells light steel building structures designed and manufactured using the Genesis Solution to builders and real estate developers primarily in the Greater Toronto Area through its wholly-owned

subsidiaries, KML Engineered Homes Ltd. (“KML”) and Light Steel Joist Solutions Inc. (“Light Steel Joist”). To date, approximately 350 building projects, representing more than 9.5 million square feet (approximately 892,000 square meters), have been built by KML using the Genesis Solution.

KML was incorporated in February 1995, with a view to providing modular steel building structures to builders. This initial venture by KML quickly led to the realization that the use of light steel in building structures created significant complexities for KML and builders alike, and that a complete technology solution would be required to address all aspects of a given building project, from basic design to on-site installation. GenesisTP Inc. (“GenesisTP”) was formed in 2001 to develop this complete technology solution which could enable KML to provide light steel structures to the Ontario market cost effectively and to license such technology. Genesis was subsequently formed in 2003 to act as the holding corporation of KML and GenesisTP.

Starting in 2001, KML was primarily considered by management as a “live laboratory”, which allowed for extensive testing in the market of the Genesis Solution and its overall improvement. Since its inception, KML has delivered approximately 350 projects, representing more than 9.5 million square feet of living space. These projects covered the full breadth of the applicability of the Genesis Solution, from a single family house to a six storey hotel complex, and allowed extensive testing of all aspects of the Genesis Solution.

Commencing in April 2004, GenesisTP developed the first versions of its primary software applications and had implemented these applications at KML for extensive testing and commercial use in the Greater Toronto Area. KML’s implementation of these proprietary software applications highlighted the need for specialized, industrial manufacturing technologies in order to make the use of light steel in building structures commercially viable. Incorporating feedback from KML’s operations, GenesisTP set out to develop manufacturing technologies and equipment to address process inefficiencies, and refine the solution to be commercially viable and cost competitive. By April 2005, an early version of C4, a proprietary industrial manufacturing technology (“C4”), was implemented at KML. These software applications and industrial manufacturing technologies formed the first generation of the Genesis Solution. Since then, the Company has focused its efforts on improving the application of the Genesis Solution and extending its reach to residential, commercial and institutional buildings of “six storeys and under”. In addition, the Company has also improved the overall manufacturing process to increase cost efficiencies.

Having developed the technology required to support the commercialization of light steel structures, Genesis began offering the Genesis Solution to potential licensees and entered into its first turn-key licensing agreement in 2005 for the Iranian market. Genesis has since entered into six additional license agreements. In parallel, research and development was targeted at increasing efficiency and developing innovative products, such as i-SPAN, the Company’s proprietary light steel joist system. In 2005, Genesis formed Light Steel Joist to focus on the commercialization of i-SPAN and related proprietary technologies in its licensing model. In 2006, i-SPAN was launched as a separate product line. i-SPAN incorporates technology licensed from BJI on an exclusive basis for the Canadian and United States markets only. The Company has not yet licensed i-SPAN to customers but has used i-SPAN on several building projects in the Greater Toronto Area. See “Business of Genesis — Protection of Intellectual Property” and “Risk Factors”.

Revenues for the three-month periods ended March 31, 2007 and March 31, 2006 were \$3,989,298 and \$4,687,134, respectively, and for the fiscal year ended December 31, 2006 were \$20,212,768, up from \$17,127,619 for the previous year. During the same period, revenues from licensing activities increased from \$190,070 in 2005 to \$3,506,945 in 2006. Genesis expects the relative importance of licensing revenue to increase over time. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Industry Overview

The main structural and load-bearing components of a building are its wall, floor and roof structures, which typically represent the largest single cost in a building’s construction. Based on a 2005 report by Market and Business Development, a market research organization, the Company estimates the annual new construction building market within the European Union in 2004 to have been approximately £653 billion, of which the structural building market component represented approximately 20%. According to the 2005 U.S. Census, the new construction building market in the United States was estimated to have been approximately US\$1.1 trillion in 2005, of which the structural building market component represented approximately 20%. Management

believes that the “six storeys and under” segment represents a significant component of these structural building markets. This segment of the building market includes a variety of residential, commercial, institutional and industrial buildings, such as multi-family town homes, single family housing developments, custom homes, low-rise apartments and condos, long-term care facilities, hotels, restaurants, small shopping centres and schools.

Management believes that the application of technology to design, manufacture and install building structures is still in its infancy. In recent years, the construction industry has come under pressure to innovate due to a shortage of skilled labour, more stringent building standards, rising material costs and the growing interest in the “green” building movement. Management believes that these factors may contribute to an increased adoption of technology in the construction industry in the future.

Construction Methods

On-Site

Traditional building construction occurs predominantly on-site and makes limited use of off-site facilities, meaning that few structural components are pre-fabricated prior to construction commencing on-site. This traditional on-site approach requires a large number of tradespeople, potentially increasing labour costs and extending the building process relative to the use of an off site approach. The fact that materials are stored and assembled on-site produces waste materials and exposes the materials to potential damage and theft and increases the cost of waste disposal and the cost of materials for the building project.

Historically, the use of light steel as an on-site building material required highly skilled labour, since a high level of precision, cutting and fastening complexity is required to install an entire building structure on-site using light steel. The use of light steel on-site requires specialized fastening techniques and an engineered process in order to ensure structural integrity to meet applicable building standards. The short supply of skilled labour, the need for specialized equipment and the delays resulting from stringent assembly requirements have limited the adoption of light steel as a structural material.

In many metropolitan areas, there has been a general movement towards urban densification driven by population growth, scarcity of available land and increasing land costs. As a result, higher buildings are being built on smaller construction sites. In addition, the costs associated with the storage of materials and the use of skilled labour at small construction sites required for on-site construction may become prohibitive for a building project.

Off-Site

There is currently a variety of off-site construction methods to address a building’s structural requirements. These are primarily limited to roof truss or floor system components that utilize wood and other materials. In addition, there are pre-fabricated and modular off-site construction methods that are applicable only to a limited number of structural and architectural designs, such as one-storey single family homes. Generally, these off-site construction methods offer limited opportunities for customization and have limited flexibility to address a customer’s specific project requirements.

Notwithstanding that off-site construction methods generally require more advance planning than on-site construction methods, they allow for engineered processes and industrial manufacturing technologies that reduce overall labour costs and improve the quality and consistency of building structures.

Building Materials

Wood

In North America and some Scandinavian countries, the vast majority of buildings of three storeys and under have wood as their key structural component. Wood is a relatively inexpensive and readily available construction material and is well suited to on-site construction methods, as it can be easily modified to meet a building’s requirements. Yet, the use of wood in building structures has a number of disadvantages:

- changing moisture content in wood leads to twisting and warping of walls, resulting in nail pops and gaps in the structure leading to energy (heating and cooling) loss;

- lumber is supplied in fixed lengths and requires cutting to fit exact specifications, which increases waste and consequently waste disposal costs and potentially increases labour costs;
- greater vulnerability to natural disasters and limitations in architectural designs; and
- susceptibility to fire, mould and termite damage.

Masonry and Concrete

Traditional masonry and concrete construction is the predominant construction method used for buildings of “six storeys and under” in Europe, Asia, Africa, South America and the Middle East. In North America, building codes generally require that concrete and masonry be used as the main structural material in buildings of “four to six storeys”. Raw materials used in this type of construction are readily available in most markets and are relatively easy to manufacture. Although concrete is fire resistant, it is relatively expensive. Production of concrete is also energy intensive and its application is slow and labour-intensive. Concrete is brittle and must be reinforced with steel to address structural requirements. Concrete’s heavy weight also increases its inertia. These two attributes reduce its resistance to damage caused by earthquakes and other natural disasters. Finally, concrete construction affects the performance and cost efficiency of downstream trades (e.g. plumbing, electrical and heating) because allowances often cannot easily be made in the structure to accommodate the functional needs of the building.

Structural Steel

Structural steel is primarily used in the construction of industrial buildings and buildings that are higher than six storeys. Structural steel is generally available in standard lengths and is relatively expensive. It requires additional treatment to prevent rusting as well as large machinery for installation on-site.

Light Steel

Light steel (also known as “cold formed” or “galvanized” light steel) has been used as a structural material in buildings for many years. Light steel is readily available and can be repeatedly recycled without degradation of its natural properties. Light steel has a superior strength-to-weight ratio when compared to wood and concrete, is a pliable material and its structural strength can be further increased through proper shaping and plying. In certain markets, urban densification has triggered changes to the applicable building codes requiring buildings that are taller than three storeys to be built from non-combustible materials, which preclude the use of wood as a structural component. Although light steel is not used in large industrial buildings and buildings of “eight storeys and higher” as a structural component, it is used in non-structural components for such buildings as partitions and wind-bearing components (“curtain walls”).

Light steel is fire resistant, has no moisture content and is inorganic, which makes it resistant to damage from termites or mould and contributes to an allergen-free environment. Despite the benefits in the use of light steel for structuring buildings, light steel has not been widely adopted to structure buildings because its use with traditional on-site methods requires highly skilled labour, which is costly and not readily available, and is time-consuming. In addition, technology has not been available to use light steel cost-effectively for building structures of higher than six storeys.

The Genesis Solution is designed to make the use of light steel cost effective as a structural building material in the “six storey and under” residential, commercial and institutional building markets, regardless of design.

The Genesis Solution and the Building Process

As a developer and licensor of structural building technology, Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures. The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. The Genesis Solution includes: (i) proprietary software applications; (ii) proprietary industrial manufacturing technologies; (iii) innovative structural products; and (iv) the provision of services and support to licensees.

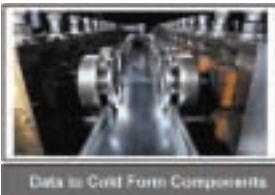
Using the Genesis Solution, a building structure is typically designed, manufactured and installed by the Company and its licensees in the following way:



1. The licensee's designers and structural engineers use the Genesis Solution's proprietary software not only to develop a three-dimensional model from the architect's design and address any structural or design inconsistencies, but also to plan for structural accommodation of downstream trades (e.g. plumbing, electrical and heating). The software also generates the technical specifications required for the manufacture, assembly and installation of the building structure.



2. The engineered light steel structure is then divided into individual panels utilizing the Genesis Solution's proprietary software that can be manufactured off-site in a controlled environment. Panels are shaped typically in large rectangles and triangles that represent a sub-section of the building structure.



3. The computer-generated technical specifications for each panel component are uploaded to light steel cold forming equipment, producing individual structural components to exact lengths and specifications with limited waste.



4. The pre-cut structural light steel components are assembled by Genesis' semi-automated platform in a controlled off-site manufacturing environment to form custom wall, floor and roof panels.



5. The manufactured light steel panels are then sequentially loaded on flat bed transport trucks and delivered to the construction site on a just-in-time basis for the on-site installation of the structure.



6. Once delivered, the light steel structural components can be quickly assembled by a small team of installers.



7. The result is a complete light steel building structure with wall, floor and roof sheathing which is ready to accept most builder's finishes and downstream trades. This completed light steel structure is then inspected by the licensee's structural engineer to ensure it is consistent with structural building codes and with its structural design.

The Genesis Solution can be applied to most types of buildings of "six storeys and under". The following buildings which have been constructed using the Genesis Solution are indicative of the types of "six storeys and under" buildings that can be constructed with the Genesis Solution:



Multi-Family Townhomes



**Low Rise Apartments
And Condominiums**



Senior Care Facilities



Hotels



Commercial Buildings



Custom Homes



Single Family Homes



Schools/Institutional Buildings

The Genesis Solution

The Genesis Solution includes: (i) proprietary software applications; (ii) proprietary industrial manufacturing technologies; (iii) innovative structural products; and (iv) the provision of a wide range of services and support to licensees.



Software and Internet-Based Applications

Proprietary software applications are integral in the use of the Genesis Solution throughout the building process, from the design stage to the manufacturing of structural components. These software applications are able to improve efficiency by enabling licensees to address structural matters prior to on-site construction, to minimize excess use of construction materials and to increase the speed at which a structure is completed. They also address operations and management requirements and provide a complete enterprise resource planning system that was developed specifically with the needs of licensees in mind.

The following software applications are built on the Microsoft platform.



Genesis FrameBuilder is a structural detailing software application that produces all of the necessary data, drawing and instructions required to build light steel structures. This software has an integrated engineering rules and details engine built into the application enabling designers to optimize each building structure and improve design efficiency. It also contains a model checker module that performs automated design checks to assist designers with recognizing design consistencies, potential design conflicts and errors. FrameBuilder is fully integrated with GEM, described below, streamlining the entire building process.



Genesis Enterprise Manager, GEM, is an enterprise application that contains numerous modules required to manage a licensee's operations, including work force management, process automation, back office functionality, logistics management, project costing, and other related functionality. GEM tracks the fabrication of building structures from the design stage through to product shipment and utilizes wireless and bar coding technology to monitor and control the status of each light steel panel. It also includes workforce management analysis tools to help maximize efficiencies.



Genesis ProposalBuilder is an Internet-based sales proposal generator that enables a sales force to create, track and store customer proposals. It includes an approval process control system enabling approval processes to be followed prior to any output being delivered to the customer. It provides a consistent job-specific output for each proposal generated.



Genesis VirtualDesigner is a modeling tool that enables cost analysts or estimators to obtain detailed and accurate material specifications, including weight, lengths and panel counts, and labour estimates for each construction project. It also provides a graphical, three dimensional output of each structure as a marketing tool for the bidding process, giving the potential customer a clearer understanding of what the framing solution will look like and what it includes.



Genesis QuoteBuilder translates VirtualDesigner files into a material summary and provides detailed pricing information to form a comprehensive quote. QuoteBuilder contains proprietary algorithms and formulas which assist licensees in determining the cost of a specific project. It handles multiple inputs to allow for sectioning of projects for components provided by multiple vendors. It also allows for management of multiple price lists by vendor or version.



GNet is Genesis' licensee Internet portal that enables information flow between the Genesis organization and its licensees over the Internet. Employees of both licensees and Genesis transfer information over the Internet to communicate and collaborate efficiently on projects, including request for information, drawings, notifications, sales opportunities and leads and other key information.



Genesis in-SITE is a portal which provides an interface for a user specific access to the entire suite of integrated software applications.

Industrial Technologies

The Company's proprietary software generates data that is used by the manufacturing technologies of the Genesis Solution to produce light steel structural components to exact and precise specifications in accordance with design data.



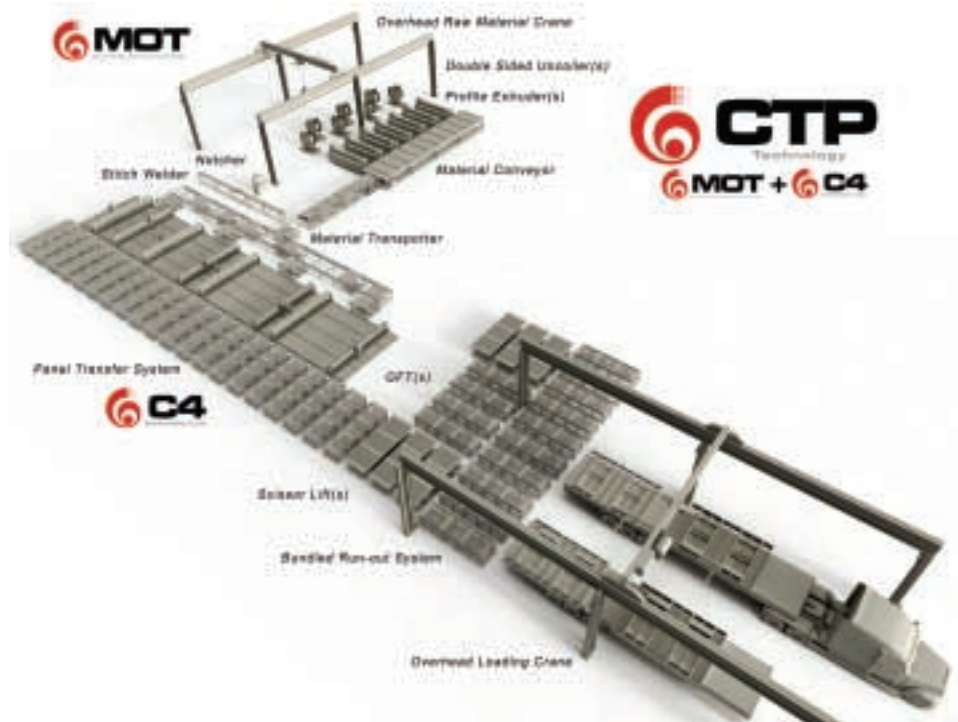
CTP is Genesis' coil-to-panel industrial technology platform. It includes the Company's proprietary Material Optimization Technology ("MOT") and C4.

MOT cold forms and cuts light steel coils into components of specific dimensions for assembly into light steel panels. MOT is a recent addition to the Company's industrial technology portfolio. Genesis intends to use KML's Vaughan, Ontario facility as its first MOT showcase. See "Use of Proceeds" and "Risk Factors".



C4 includes a custom fabrication process and semi-automated equipment that enables efficient and cost effective assembly of pre-cut light steel components into panels. C4 is flexible and will adapt to address each panel's unique design requirements and specifications (width, length, thickness, number and types of connections, etc.), whether for installation in the residential, commercial or institutional building markets.

By using CTP, a licensee increases process efficiency and reduces costs as well as dependency on third party cold forming suppliers.



CTJ is Genesis' proprietary coil-to-joist industrial technology platform, which combines unique processes with industrial equipment that enables the production of a custom floor joist product. The CTJ industrial technology platform enables the production of the entire i-SPAN family of products and includes the integration of unique fastening technologies, designs and shapes which have various benefits over other alternative floor systems such as improved fire ratings, longer spans and the ability to reduce downstream processes.

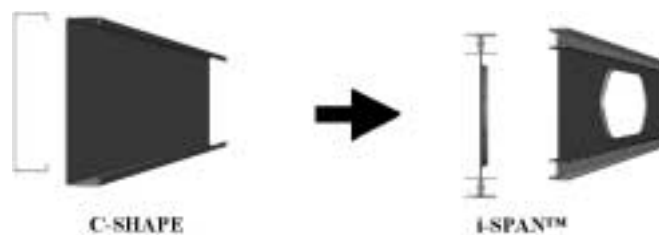
The Company has yet to license the CTJ technology but has implemented the CTJ technology in its new Vaughan, Ontario facility as of March 31, 2007.



Innovative Products

The building construction industry in most markets is highly regulated. Building codes regulate the types of construction materials that can be used and their required performance criteria. The primary performance criteria of most building codes pertain to fire, sound, thermal and structural performance. The Genesis Solution utilizes light steel which typically can be engineered to meet or exceed these performance criteria for most building codes globally. Light steel's inherent flexibility enables it to be cold formed and connected together using a variety of fastening techniques. This flexibility creates an opportunity to arrive at innovative shapes and designs that can result in a reduction of the amount of light steel used for a structure, while improving its strength.

The Company's research on how light steel is bent, shaped and fastened together, and how components interact together once fastened, has led to the development of new and innovative products such as the i-SPAN floor joist product line. The i-SPAN floor joist system consists of symmetrically shaped, variable gauge, light steel floor joists, joist chords, internal and external distribution beams, snap-in bridging, end connectors and blocking components that can be used as the flooring system in residential and commercial building construction. The i-SPAN floor joist system can be installed quickly and has achieved Underwriters' Laboratories/Underwriters' Laboratories of Canada fire and acoustic rating. Such rating is difficult to achieve because materials that improve acoustic isolation often are detrimental to a floor system's fire resistance rating. This light steel floor system allows for longer spans (up to 32 feet) relative to wood floor systems and other traditional cold form floor systems.



The Company has also developed a proprietary technical library, including various connections, designs and details that enable the efficient engineering, design, fabrication and installation of structural light steel panels and components. This library currently has over 200 technical notes that address numerous building standards and environmental conditions, including seismic, wind and snow loading conditions. This library has been developed by Genesis and is continually enhanced by the experience gained from the use of the Genesis Solution in building projects.

Services and Support

The Genesis Solution includes the provision of services in connection with operational planning, design, training and support. As part of its support services, Genesis offers expertise and industry and technology know-how in order to assist licensees in the development of their business. The services offered as part of the Genesis Solution are provided at the request of the licensee and on a fee-for-services basis. They include:

- *Market Profitability Analysis* — Genesis works with each potential licensee to build a detailed revenue and costs model tailored for the licensee's territories. Generally speaking, although the market profitability analysis for the licensee's initial territory is included in the up-front licensee fee, subsequent market profitability analyses for additional territories are provided at extra cost to the licensee.
- *Facility Selection and Design and Commissioning* — Genesis personnel assist licensees in the process of selecting the most appropriate facility, outlining manufacturing flow and assisting in the equipment, installation and commission processes.
- *Engineering and Design Services* — Genesis offers structural engineering and design services to its licensees. Licensees have the choice of either using their own engineering and design personnel for such services or outsourcing these services to Genesis.
- *Training Services* — Genesis provides its licensees with training services, including training in software applications, sales and marketing, engineering, manufacturing and fabrication and installation.
- *Support Services* — Genesis also provides certain services such as sales and marketing.

Business Model

Starting in 2001, KML was primarily considered by management as a "live laboratory", which allowed for market testing of the Genesis Solution and its overall improvement. It is expected that KML will continue to showcase technology for potential licensees worldwide. Going forward, however, management intends to recast KML in a commercial mode and operate it with a view to growing market share and maximizing profitability in its target market of Ontario, Canada. The deployment of the Company's proprietary CTP and CTJ technologies in its new facilities at Vaughan, Ontario is expected to play a key role in the commercial expansion of KML in the future.

Although historically the Company has generated most of its revenues from the sale and installation of its structural products, the Company intends to grow by implementing a business model that focuses on the licensing, in whole or in part, of the Genesis Solution on a global scale, with a particular emphasis on Europe and North America. This approach allows the Company to combine the proprietary technology developed by Genesis with the local market knowledge and established presence of its licensees to expand the Company's global market presence. Each licensee serves its local market and adapts the Genesis Solution to the market's specific architectural requirements. The Genesis Solution is flexible enough to enable licensees to address a wide range of project types, architecture and building code requirements.

Each licensee arrangement has variations that are primarily driven by such criteria as market size, local market opportunities, local competition and strategic considerations. A licensee arrangement generally has a term of five years. During the term of the standard licensing arrangement, Genesis generates revenue from (i) up-front fees for licensing the Genesis Solution; (ii) sale of industrial manufacturing equipment; (iii) provision of set-up and training services; (iv) royalty fees based on the licensee's revenue on a quarterly basis; and (v) additional fees for services such as engineering and support on an as-needed basis. In order to maintain exclusivity to a market and be provided subsequent upgrades and enhancements to the Genesis Solution, the licensee must satisfy minimum revenue targets and pay associated royalties for the term of the licensing arrangement. Minimum royalty obligations are generally determined based on these revenue targets in the specific licensing arrangement. The licensee is expected to operate independently and manage its own operations including marketing, sales, manufacturing, sourcing of materials and installation. Genesis may provide support services according to needs of the licensee. In addition to revenues from its licensing arrangements, Genesis expects to continue to generate revenue from sales of its structural products through KML and Light Steel Joist.

Historically, it has taken approximately six months from an initial introduction to conclude a licensing arrangement with an interested party. Subsequent to signing a licensing agreement, it takes up to an additional six months for the licensee to complete its financing, find its operating location and purchase the equipment.

In 2006, Genesis delivered software and industrial manufacturing equipment to two licensees, one in Iran and the other in the United States. The United States licensee in Alabama, USG, has informed the Company that it has ceased its structural products operations effective June 2007. The Iranian licensee is in the process of installing its industrial manufacturing equipment and is expected to begin supplying structural products to its local market by the end of the year.

In 2007, the Company expects to deliver additional software and industrial manufacturing equipment to other licensees and anticipates that three licensees will be in a position to supply structural products to their local markets by the end of 2007. As well, the Company expects to record its first royalty payments in 2007, as minimum royalties, based on specified minimum sales targets set out in the specific licensing arrangement, are expected from three licensees in 2007. Finally, services revenue is expected to grow in 2007 as demand for the Company's services is expected to increase with demand from licensees.

Genesis' Competitive Advantages

Management's assessment of its competitive position, as described below, is based, among other factors, on its knowledge of the residential, commercial and institutional building markets.

While there are other enabling technologies for the use of light steel in structural products, management believes the Company's competitive advantages to include the following.

Flexibility of Design and Custom Manufacturing

The Genesis Solution is not limited to specific, pre-set designs. The Company's proprietary technology is sophisticated and flexible enough to allow custom manufacturing of a building according to a client's unique specifications. See "Business of Genesis — Key Benefits Provided by the Genesis Solution" and "Business of Genesis — The Genesis Solution — Industrial Technologies".

Licensing Business Model

The Company believes that the licensing of the Genesis Solution can accelerate the international deployment of its technology offerings. This business model capitalizes on the licensee's local market knowledge and the Company's technology know-how to promote the Genesis Solution. See "Business of Genesis — Business Model".

Complete Turn-key Solution Approach

The Genesis Solution addresses all elements of the light steel structural building process and provides a resource to licensees through a technical library that addresses a variety of technical complexities that may be encountered in a typical building project. In addition, the Genesis Solution enables licensees to comprehensively

manage their operations and building projects. This integrated approach broadens the addressable market opportunity for licensees in their respective markets.

Innovation and Research and Development

The Company's innovation efforts have led to the creation of a new proprietary product portfolio, such as FrameBuilder, GEM, CTP and CTJ. Genesis' research and development program is focused on achieving cost reductions, increasing load bearing capacity and reducing the quantity of light steel required to structure buildings. See "Business of Genesis — Key Benefits Provided by the Genesis Solution".

Genesis' Growth Strategy

The Company's objective is to build upon its existing strengths to become a global leader in the provision of a complete "green" technology solution for building structures by providing light steel technology to the global construction industry. To achieve its growth objectives, the Company plans to expand its geographical reach and continue its investment in research and development.

Expand Geographical Reach

Genesis has a multi-faceted strategy to expand its geographical reach to prospective licensees and deploy the Genesis Solution globally. This strategy includes the following:

- increase sales and marketing efforts internationally to identify additional licensees and penetrate new geographic markets, beginning in Europe and North America;
- raise awareness of the benefits of a sustainable, light steel building system through participation in international trade shows and publications; and
- investigate joint venture opportunities with strategic partners.

Continue To Enhance Product Offerings

Genesis intends to expand and continue to improve its product offerings to meet market requirements in various geographic markets around the world. Accordingly, the Company's research and development priorities include the following:

- perform product development work to enhance structural performance and reduce production costs of light steel building systems;
- conduct additional research and development work to expand complementary, innovative product offerings;
- implement, improve and showcase new industrial technologies, such as the CTP and CTJ platforms; and
- consider selective acquisition or licensing opportunities aimed at broadening the Company's technology and product offerings.

Key Benefits Provided by the Genesis Solution

The Genesis Solution enables licensees to offer quality light steel structures to local builders in a cost effective manner. Genesis believes that its light steel structures offer significant cost benefits, green benefits and quality benefits to licensees, builders and consumers alike.

Cost Benefits

The types of materials and processes used in a construction project affect costs associated with not only materials and labour, but also after-sales service, waste and waste disposal, financing, insurance and other upstream and downstream trade coordination (e.g. costs associated with coordinating multiple vendors). The Genesis Solution can assist in lowering these costs and increasing a builder's revenues by enabling an increase in the speed in which a structure can be installed, thus allowing for more structures to be completed in a given time frame. Management believes that the Genesis Solution is cost competitive even in markets where alternative materials and labour are relatively inexpensive.

Material Costs

Light steel can be easily sourced in most markets. The use of light steel as part of the Genesis Solution provides cost savings for the following reasons:

- light steel is significantly cheaper than concrete or masonry materials, which are typically used outside of North America;
- light steel has a superior strength-to-weight ratio, compared to concrete, masonry or wood, such that smaller quantities of material are necessary to achieve the required structural integrity of a building;
- the use of light steel lowers transportation costs as large quantities of light steel can be shipped in relatively small volumes due to its coil nature; and
- light steel offers superior resistance to potential damage from earthquakes, winds, snow and termites than wood or concrete. Using light steel as a primary structural material in a building thus eliminates the costs associated with structural reinforcements and chemical treatments required by more traditional materials.

Labour Costs

The Genesis Solution reduces the number of personnel required on a construction site by utilizing a semi-automated off-site manufacturing process. Using the Genesis Solution, approximately 75% of the building process takes place off-site. The use of off-site manufacturing lowers labour costs in two ways: (i) fewer skilled workers are required at the building site, and (ii) the skilled workers are required for a shorter period of time. Even though labour costs may vary by geographic market, by requiring fewer skilled workers for a shorter amount of time, overall labour costs and time required for construction are reduced.

After-Sales Service Costs

In North America, wood is the predominant material used in the construction of buildings “three storeys and under”. Certain after-sales services resulting from the use of wood are no longer necessary with the Genesis Solution. An example of an after-sales service cost incurred by most builders is fixing drywall nail indentations and structural warping, which are caused by changing moisture content in wood. Since the Genesis Solution uses light steel which has no moisture content, structures built using the Genesis Solution do not experience a change in dimensional properties over their life-cycle, eliminating the need to fix any drywall nail indentations. Another frequently provided after-sales service is the rectification of mistakes in the dimensional accuracy of the building structure. As the Genesis Solution enables licensees to provide structural components to precise specifications in accordance with architectural designs using computerized equipment, this after-sales service is often not required as such mistakes are not likely to occur given the process used. As a result, the Genesis Solution generally reduces the need to provide these after-sales services and contributes to overall cost reduction.

Waste and Waste Disposal Costs

The Genesis Solution reduces waste and consequently, costs associated with such excess materials, waste disposal and waste removal. Using light steel materials, which are available in coils in various lengths, widths and thicknesses, the Genesis Solution uses its proprietary software to integrate computerized data with industrial equipment to cold form light steel into structural components of precise specifications with limited excess materials produced to lower the quantity of waste and therefore lower materials costs, waste disposal and removal costs.

Builders’ Risk Insurance Premiums Costs

Builders are typically required to purchase insurance for fire, theft, and other related matters during the construction period, commonly referred to as “builders’ risk insurance”. The premiums for builders’ risk insurance vary based on perceived risks, which are impacted by material types and processes. Light steel structures are fire resistant and are not stored on-site prior to the structure being installed. As a result, builders who rely on the Genesis Solution have the opportunity to pay less for builders’ risk insurance than those using wood as the main structural material.

Upstream and Downstream Trade Coordination

The Genesis Solution requires its licensees to perform a considerable amount of project planning prior to the on-site construction process. As part of this planning process, the building structure is designed “virtually” on a computer utilizing the Genesis Solution’s proprietary software, FrameBuilder. The Genesis Solution identifies design inconsistencies, which can then be easily and cost-effectively corrected prior to the start of work on a construction site. By identifying these issues prior to the commencement of construction, the Genesis Solution allows those issues to be remediated in a way that avoids costly on-site modifications and other unforeseen costs and delays.

The Genesis framing system is a turn-key single source solution that includes structural detailing, component manufacturing and fabrication, shipping, installation and management of the structural construction of a project, as well as management of a licensee’s operations. Traditional building systems require the builder to source and coordinate several individual material and labour components to complete a building structure. As a result, coordination costs, transactional costs and inefficiencies arise. In addition, integrating various trades (e.g. plumbing, heating, electrical) as part of the supply chain to structure a building is time-consuming and often a source of delays. Considerable project management time and costs are incurred by the builder in an effort to manage multiple third party participants in the construction process. By providing an opportunity for advance planning at the design stage, the Genesis Solution minimizes upstream and downstream coordination costs and inefficiencies.

The Green Benefits

Management believes that, especially in North America and Europe, there is a growing interest in conservation and the use of environmentally sustainable products and processes, leading to the rise of the “green” building movement in the building and construction arena. In North America, the Leadership in Energy and Environmental Design Council (“LEED”) is the dominant initiative to bring about environmentally friendly changes in building processes and designs. In the United Kingdom, the standards issued by the Building Research Establishment Environmental Assessment Method (“BREEAM”) are typically identified as the relevant benchmarks for building projects. LEED and BREEAM provide certification for projects based on how well each project meets certain criteria designed to promote environmental sustainability.

Management believes that the Genesis Solution can help builders and real estate developers obtain such certification. The Genesis Solution is particularly relevant in assisting building projects to address the following LEED and BREEAM criteria.

Energy

Both LEED and BREEAM assess projects and buildings on their energy efficiency by examining a building’s ability to conserve energy and optimize energy use. The Genesis Solution utilizes a cavity wall design that incorporates air barriers, vapour barriers and insulation materials in order for its structures to improve energy efficiency, as is the case for traditional, North American wood structures. The other common method of construction, often applicable to masonry and concrete, uses a solid wall design, in which the material is consistent between the outside and the inside of the building and insulation products are not commonly used. The use of a single material between the inside and outside of a building creates a channel for energy transfer and does not conserve energy as well as buildings with a cavity wall design, such as those built by the Genesis Solution.

Energy efficiency and conservation is also affected by a building’s dimensional stability. Dimensional changes create the potential for air gaps and air leakage between the outside and inside of the building, which in turn lead to poor energy conservation. Wood building structures, for example, have varying moisture content that, over time may lead to dimensional changes in a building structure. Since the Genesis Solution utilizes light steel, the dimensional stability of which is not altered by changing moisture content, it allows buildings to maintain their structural and dimensional integrity and minimizes energy (heating and cooling) loss from warping, twisting or shrinking of the structural material.

Materials

Both LEED and BREEAM also assess a building project based on its use of materials by assessing the environmental impact of the use of such materials and the quantity and management of waste produced.

To minimize any negative impact on the environment, the Genesis Solution promotes the use of recycled light steel. Light steel's main green characteristics are:

- it maintains its inherent properties throughout the recycling process, allowing for an infinite number of product lifecycles;
- it reduces the pressure on deforestation; and
- it has a long lifespan because of its resistance to earthquakes, wind, snow, fire and termite and mould damage and its galvanization which eliminates the risk of material deterioration.

To reduce waste, the Genesis Solution uses its proprietary software to integrate computerized data with industrial equipment to cold form light steel coils into structural components of precise specifications with limited excess waste materials produced. If there is any waste from light steel components, such waste can also be recycled.

The global building materials industry, as a whole, constitutes the single largest sector of consumption of the earth's natural resources when compared to any other human activity and, according to a report by Forintek Canada Corporation, is estimated to consume approximately 25% of the global wood harvest. Management believes that the Genesis Solution, with its use of recycled light steel, may contribute to lessen the pressure on natural resources.

Indoor Environment Quality

LEED and BREEAM also assess a project on the quality of the building's indoor environment. With the use of light steel, which is an allergen-free, mould-free and toxin-free material, the Genesis Solution does not negatively impact indoor air quality, differentiating itself from buildings that use wood as their primary structural material. Wood is susceptible to the growth of moulds and other organic material that may contaminate a building's air quality. See also "Business of Genesis — Key Benefits — Quality Structures".

Quality Structures

The Genesis Solution enables licensees to provide quality engineered structures to end users because of (i) the nature of light steel, and (ii) the methods and processes incorporated in the building process by the Genesis Solution.

Nature of Light Steel

Superior Strength-to-Weight Ratio

Genesis Solution structures can be engineered to withstand extreme loads such as 240 km/h (150 mph) winds, zone IV seismic forces under the Uniform Building Code and 1m (3 feet) of snow loading.

The Genesis framing system commonly utilizes discrete shear walls to resist wind loading. The discrete shear wall system reduces associated construction costs in comparison to other structural framing systems such as wood. In wood structures, wind loads are most often resisted by sheathing all the exterior walls, and various interior walls, with plywood panels. The Genesis framing system avoids the expense of having to sheath an entire structure with plywood.

Under seismic conditions, light steel framed structures provide two major benefits. First, the seismic force on a structure is directly related to the weight of that structure. A lighter structure will reduce the seismic force a building must sustain during a seismic event. Buildings built with traditional materials like concrete and masonry are heavier than buildings built with light steel, thus requiring a structure built with such traditional materials to resist greater force. Second, light steel is a ductile material which allows it to absorb seismic energy in a more controlled manner. Brittle materials such as concrete and masonry are subject to sudden brittle failures if not reinforced properly with steel.

The force exerted by snow loads and gravity is transferred ultimately to a building structure's foundation. The superior strength-to-weight ratio of light steel enables building designers, using the Genesis Solution, to structure a lighter building than one structured with wood, concrete or masonry. As a result, a smaller proportion of the weight to be supported by the foundation is taken up by a Genesis Solution building structure. Since the building structure utilizing the Genesis Solution is lighter, the foundation sizes can be reduced and hence the foundation system will be less expensive.

Fire Resistant

Light steel is non-combustible. As a result, the Genesis Solution can deliver structures that are more fire resistant than those built with wood. This provides not only a safety benefit to the end user but also an economic benefit, since certain insurance companies have recognized the reduced fire risk and provided such end users with possible reductions in their insurance costs.

Insect Damage Resistant

According to the U.S. Forest Service, the cost of controlling termites and repairing their damage is estimated to be US\$2 billion per year in the United States alone. Since the Genesis Solution uses light steel, which is not a food source for insects such as termites, structures built with the Genesis Solution provide much more resistance against termite damage than structures built with traditional materials such as wood.

Allergen-Free, Mould-Free and Toxin-Free

Light steel is recognized as an allergen-free, mould-free and toxin-free material. As a result, the Asthma Society of Canada has recognized that steel framing building products contribute to a healthy indoor air environment, which may benefit allergy and asthma sufferers.

Methods and Processes of the Genesis Solution

Structural Engineering Standards

Prior to the first step in the Genesis Solution building process, a structural design of the building, based on the client's architectural plans and in compliance with applicable building code standards, is completed by a licensee's structural engineer. Each licensee is required to use a structural engineer to complete such designs. This is significantly different than other building methods where certain building codes allow structures to be built without the review of their design by a structural engineer. Such building codes have guidelines and rules that must be followed, yet do not require an official structural design or certification process. Since the Genesis Solution requires licensees to use a structural engineer to design and inspect each building structure, the builder can expect the structural integrity and quality of such buildings to meet and exceed applicable building standards.

Consistency and High Quality

The Genesis Solution enables licensees to manufacture structural components in a controlled environment. On-site building raises concerns over quality control due to the lack of supervision, the unpredictability of the on-site environment and the variable skills of the labour force. The Genesis Solution produces consistently high quality structures that are not subject to the same variables as these light steel structures are largely manufactured in a controlled environment.

Sales and Marketing Strategy

The Company is using a direct sales approach to introduce the Genesis Solution to potential licensees worldwide. As part of this strategy, Genesis' sales and marketing personnel attend numerous construction-related trade shows in various markets globally. Genesis also benefits from efforts by Canadian governmental bodies to promote Canadian building technologies worldwide. The Company participated in its first trade show in 2005 and plans to make this a cornerstone of its new market development strategy. It also uses more traditional approaches to marketing, such as internet marketing, sales brochures, mailings and other similar

activities. None of these efforts have historically been directed to consumers, but the Company could choose to do so in the future, in partnership with licensees.

KML has used primarily direct sales and marketing efforts to introduce the Genesis Solution to builders in the Greater Toronto Area. This focused approach has allowed KML and Light Steel Joist to find and develop relationships with early adopters of innovative technology solutions in the local construction market. This method has also garnered real-time feedback from builders, which has been useful in the development and the improvement of the Genesis Solution. Going forward, Genesis intends for KML and Light Steel Joist to continue its direct approach to sales and marketing.

Current Licensees

Genesis commenced its global licensing strategy in early 2005 and, to date, has licensing arrangements with seven licensees in the following locations:

- Iran;
- Alabama, United States;
- Spain;
- Central California, United States;
- Northern California, United States;
- Afghanistan; and
- Québec, Canada.

These licensees are predominantly companies and entrepreneurs that have significant knowledge of their local construction market and include builders, building product manufacturers, land developers, contractors of other building products or professionals in the construction industry. The Company plans to continue to expand its network of licensees with a focus on the European, North American, Middle Eastern and South American markets.

Of these licensees, USG, a related party, was building projects in its Alabama facility using part of the Genesis Solution until June 2007 (pursuant to the licensing arrangements with USG, the Company was not entitled to receive royalty revenue from USG but received general revenue through the provision of design and other services). The Company expects three of these licensees will be in a position to supply structural products to their local markets by the end of 2007, and the three other licensees are in the process of concluding their financing. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation”.

The Company recently signed three letters of intent with other licensees located in Southern California, Ukraine and Dubai. In addition, the Company has entered into sales agency agreements to help locate potential licensees in certain markets.

Competition

While Genesis does not generally sell structural products directly to builders outside the Greater Toronto Area, management believes that the broad adoption of the Genesis Solution will require builders to adopt off-site techniques for building structures. At this stage of the market penetration process, the Company competes against traditional methods and materials that builders are familiar with. Further, once a builder decides to utilize off-site building processes, several competing solutions are available for purchase. The Genesis Solution is one of these competing solutions.

The Genesis Solution’s primary competition comes from single component providers who may either license their technology, offer equipment or provide cold form steel components to builders. These companies typically consist of software vendors, industrial equipment manufacturers or manufacturers of proprietary light steel products. The Company considers its principal competitors to include companies such as Alpine Engineering Products Inc., Dietrich Metal Framing, Nucon Steel, Scottsdale Construction Systems Ltd., Corus Group Inc., Mega Building Systems, Marino\WARE, Fusion Building Systems and Truswal Systems Corporation.

These companies provide light steel framing solutions to various local markets, primarily in the United States. Certain of these competitors are part of large conglomerates, which are generally well funded and may benefit from established brand names and market presence. Due to their size and affiliation, they may be in a position to negotiate better terms and conditions than Genesis licensees when purchasing light steel coils and other inputs.

Management believes that the Company's key competitive advantages are: the flexibility of the Genesis Solution to enable the custom design and manufacturing of building structures of "six storeys and under" in residential, commercial and institutional building markets; the Company's licensing business model; the ability to provide a complete turn-key solution to licensees, and in turn to builders; and its ongoing research and development initiatives aimed at improving existing and creating new innovative products and processes for the structural building market.

Protection of Intellectual Property

The Company's intellectual property includes software applications, design libraries, design details, industrial technologies, process technologies, light steel product designs and other technologies.

In accordance with industry practice, the Company protects its proprietary rights through a combination of patent, copyright and trademark laws and contractual provisions. The Company has filed 10 US non-provisional patent applications and one international PCT patent application on its technology for manufacturing light steel structures. Since these applications have only recently been filed, no patents have been granted at this time. Not all of the Company's intellectual property, primarily software related, can be patented but aspects of the Company's technology, such as aspects of its proprietary design, enterprise, modeling and proposal generator software applications, are covered by copyright protection.

The Company has a perpetual and exclusive license for Canada and the United States from Best Joist Inc. ("BJI") for the use and the sublicensing of BJI's patented joist technology, which is used in the i-SPAN floor joist system. The license may be terminated by BJI upon 10 days' notice if the Company fails to make the applicable payments.

The Company has also entered into a three-year license and distribution agreement with Autodesk Inc. ("Autodesk") which permits the Company to develop certain software applications e.g. FrameBuilder that incorporate Autodesk's software products. Autodesk may terminate the agreement after 90 days' prior written notice as of September 2007 or immediately upon written notice of a material breach and if such breach is not cured within 30 days after written notice has been provided by Autodesk or if there is any material deviation from the intended use of Autodesk's software products. See "Risk Factors — Reliance on Key Intellectual Property".

Genesis is dependent on its proprietary intellectual property to maintain its competitive position and to build on its competitive advantages and has actively taken steps to protect its intellectual property. The Company's general practice is to enter into confidentiality, non-disclosure and non-competition agreements with its employees, consultants and others to attempt to limit access to and distribution of its proprietary information. In addition, it is the Company's practice to enter into agreements with its employees who develop intellectual property that include an assignment to the Company of all intellectual property developed in the course of employment.

The Company has registered the trade-mark "GENESIS" and accompanying design in Canada and the United States. It has also filed applications to register the following trade-marks: "GENESIS WORLDWIDE", "FRAMEBUILDER", "GEM", "C4" and "CTP TECHNOLOGY" in the United States.

Except for intellectual property which the Company has taken measures to protect as described above, there are no patents or other intellectual property rights, licenses or proprietary rights or processes protected by trade secrets that are material to the Company's business or revenues or on which the Company is reliant. There can be no assurance that the products or processes will not infringe the intellectual property rights of other persons. Management has not made any claim nor is it aware of any claim or pending claims in respect of any intellectual property rights used in the products or processes. See "Risk Factors."

Research and Development

The Company's research and development efforts are primarily focused on the following areas: software development, industrial process development and product innovation. Most of the Company's research and development efforts are driven to achieve the reduction of overall cost for a licensee to provide a light steel structural solution to their customers. The Company has a team of 11 people in research and development and has out-sourced its product development activities in connection with the i-SPAN floor joist system to BJI. The Company plans to continue its research and development efforts with a view to further developing cost reduction technologies. Recently, the Company has leased a new facility in Vaughan, Ontario to accommodate the planned research, product development and testing of technologies.

While management intends to recast KML in a commercial mode, both KML and Light Steel Joist will continue to serve as a research and development centre for the development of new technologies, processes and products to be used as part of the Genesis Solution while also manufacturing light steel building structures for builders primarily located in the Greater Toronto Area. The Company's facility, located in Vaughan, Ontario will house both KML and Light Steel Joist and the latest technologies available with the Genesis Solution, such as CTP technology, CTJ technology and GEM software. The Company expects to continue to develop, refine and test technologies and products that may ultimately form part of the Genesis Solution.

Employees

As of December 31, 2006, the Company had approximately 93 full-time employees including 11 in research and development, 21 in engineering and cost analysis, 4 in project management, 9 in general and administration, 9 in marketing and sales and 39 in manufacturing. Approximately 29 employees are members of the United Steelworkers Local 1-500 and are covered by a collective agreement with a term ending on April 30, 2009. Installation by KML is subcontracted and generally the subcontractors are part of the Central Ontario Regional Council of Carpenters, Drywall and Allied Workers United Brotherhood of Carpenters and Joiners of America. Except as described under "Facilities" below, there have been no material changes to the number of employees employed by the Company since December 31, 2006.

The Company, as of December 31, 2005, had approximately 121 full-time employees, including 12 in research and development, 18 in engineering and cost analysis, 12 in general and administration, 6 in marketing and sales and 73 in manufacturing. As at December 31, 2004, the Company had approximately 78 full-time employees, including 7 in research and development, 15 in engineering and cost analysis, 13 in general and administration, 5 in marketing and sales and 38 in manufacturing. Management believes that individuals with the necessary specialized knowledge and skills (e.g. engineering, manufacturing and sales) will continue to be available as the Company expands.

Facilities

The Company leases a 4,037 square foot facility in Mississauga, Ontario which houses the Company's head office and the Company's technology and engineering departments. The Company also leases a 95,243 square foot facility in Cambridge, Ontario which currently houses the operations of KML. On April 27, 2007, the Company notified employees of the closure of the Cambridge facility as a result of the failure to extend the lease which was to expire May 14, 2007 to beyond June 30, 2007. The Company has recently leased a new 72,704 square foot facility in Vaughan, Ontario which houses the operations of Light Steel Joist, in which its CTJ technology has been installed and to which the operations of KML will be relocated prior to June 30, 2007. This new facility is leased from Muzzo Brothers Group Inc., an affiliate of a principal shareholder of the Company, 2007129 Ontario Inc. The lease is in good standing and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. See "Risk Factors" and "Related Party Transactions".

The Company recently announced the closing of its Cambridge, Ontario facility resulting in the termination of 30 of its manufacturing employees in that facility. The Company is in the process of re-starting its manufacturing operations at its new Vaughan, Ontario facility. As a result, during the six week period starting in May 2007, the Company will cease producing structural steel panels which will result in a decline in revenues during this period. The Company estimates that the cost of this transition will be approximately \$450,000, excluding capital expenditures.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables set out selected consolidated financial information for the periods, and as at the dates indicated, and are based on the annual audited consolidated financial statements and unaudited consolidated interim financial statements of Genesis for the financial years ended December 31, 2006, December 31, 2005 and December 31, 2004 and for the three-month periods ended March 31, 2007 and March 31, 2006, which appear elsewhere in this prospectus. The selected consolidated financial information should be read in conjunction with the consolidated financial statements of Genesis and the notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” found elsewhere in this prospectus.

Consolidated Financial Information

Income Statement Data:

	Three Months Ended March 31		Year Ended December 31		
	2007	2006	2006	2005	2004
	\$	\$	(in thousands of dollars, except share data)		
	\$	\$	\$	\$	\$
Revenues					
Licensing	959	162	3,507	190	167
Structural products	3,030	4,525	16,706	16,938	26,776
Total revenues	<u>3,989</u>	<u>4,687</u>	<u>20,213</u>	<u>17,128</u>	<u>26,943</u>
Net loss for the period	(2,099)	(1,711)	(7,459)	(7,143)	(2,712)
Deficit, beginning of period	<u>(41,534)</u>	<u>(33,961)</u>	<u>(33,961)</u>	<u>(26,818)</u>	<u>(24,106)</u>
Deficit, end of period	<u>(43,633)</u>	<u>(35,672)</u>	<u>(41,420)</u>	<u>(33,961)</u>	<u>(26,818)</u>
Net loss per share — basic and diluted	(0.10)	(0.08)	(0.36)	(0.35)	(0.23)
Weighted average number of shares outstanding	20,982,858	20,982,858	20,982,858	20,505,852	11,852,014

Balance Sheet Data:

	As at March 31 2007	As at December 31	
		2006	2005
	(in thousands)		
	\$	\$	\$
Cash and cash equivalents	849	1,011	7,835
Total assets	15,320	13,069	20,646
Total liabilities	16,703	12,249	12,401
Shareholders’ equity (deficiency)	(1,383)	820	8,245

DIVIDEND POLICY

To date, Genesis has not paid dividends on its Common Shares or any other class of shares. Genesis’ current intention is to retain earnings to fund the development and growth of its business. Genesis does not currently anticipate declaring or paying any dividends in the near to medium term. The Board will determine if and when dividends should be paid in the future based on all relevant circumstances, including the desirability of financing further growth of Genesis and Genesis’ financial position at the relevant time. Pursuant to the CBCA, Genesis may not declare or pay a dividend if there are reasonable grounds for believing that: (i) Genesis is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of Genesis’ assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the selected consolidated financial information and the Company's consolidated financial statements and accompanying notes contained elsewhere in this prospectus. This discussion contains forward-looking statements. See "Caution Regarding Forward Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. The results of operations, business prospects and financial condition of the Company will be affected by certain risks described elsewhere in this prospectus. See "Risk Factors". Genesis prepares its consolidated financial statements in accordance with GAAP. All dollar amounts are in Canadian dollars unless stated otherwise.

Following the closing of the Offering, Genesis will file from time to time continuous disclosure documents with the Canadian securities regulatory authorities. These continuous disclosure documents will be available on the Company's website at www.genesisworldwide.com or through the SEDAR website, which can be accessed at www.sedar.com.

Selected Financial Information

The following tables set out selected consolidated financial information for the periods indicated. The selected financial information that follows for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 and for the three-month periods ended March 31, 2007 and March 31, 2006 has been derived from the audited consolidated financial statements and unaudited consolidated interim financial statements appearing elsewhere in this prospectus. Those consolidated financial statements have been prepared in accordance with GAAP. Each prospective investor should read the following information in conjunction with those consolidated financial statements and the notes thereto.

Consolidated Statements of Loss and Deficit

	Three Months Ended March 31		Fiscal Years Ended December 31		
	2007	2006	2006	2005	2004
	\$	(in thousands of dollars, except share data) \$	\$	\$	\$
Revenues					
Licensing	959	162	3,507	190	167
Structural products	3,030	4,525	16,706	16,938	26,776
Total revenues	<u>3,989</u>	<u>4,687</u>	<u>20,213</u>	<u>17,128</u>	<u>26,943</u>
Direct cost of revenue					
Licensing	524	63	1,731	—	—
Structural products	2,091	4,376	16,154	14,927	23,296
Total direct cost of revenues	<u>2,615</u>	<u>4,439</u>	<u>17,885</u>	<u>14,927</u>	<u>23,296</u>
	<u>1,374</u>	<u>248</u>	<u>2,328</u>	<u>2,201</u>	<u>3,647</u>
Expenses					
Research and development	231	238	1,041	946	557
Selling and marketing	386	245	1,341	1,208	687
Engineering and project management	386	275	1,369	996	1,120
General and administrative	1,019	594	3,592	4,312	2,349
Occupancy	304	324	1,182	977	880
Plant commissioning costs	223	—	—	232	—
	<u>2,549</u>	<u>1,676</u>	<u>8,525</u>	<u>8,671</u>	<u>5,593</u>
Loss before other expenses:	<u>(1,175)</u>	<u>(1,428)</u>	<u>(6,197)</u>	<u>(6,470)</u>	<u>(1,946)</u>
Amortization	245	188	896	587	344
Foreign exchange gain	(13)	27	(65)	(9)	(9)
Interest expense (income)	—	(5)	138	(77)	181
Minimum royalty accretion	74	73	293	172	—
Debenture and loan interest expense	618	—	—	—	—
Impairment loss	—	—	—	—	250
Net loss for the period	<u>(2,099)</u>	<u>(1,711)</u>	<u>(7,459)</u>	<u>(7,143)</u>	<u>(2,712)</u>
Deficit, beginning of period	<u>(41,534)</u>	<u>(33,961)</u>	<u>(33,961)</u>	<u>(26,818)</u>	<u>(24,106)</u>
Deficit, end of period	<u>(43,633)</u>	<u>(35,672)</u>	<u>(41,420)</u>	<u>(33,961)</u>	<u>(26,818)</u>
Net loss per share — basic and diluted	(0.10)	(0.08)	(0.36)	(0.35)	(0.23)
Weighted average number of shares outstanding	<u>20,982,858</u>	<u>20,982,858</u>	<u>20,982,858</u>	<u>20,505,852</u>	<u>11,852,014</u>

Consolidated Balance Sheet Data

	As at March 31	As at December 31	
	2007	2006	2005
	(in thousands)		
	\$	\$	\$
Cash and cash equivalents	849	1,011	7,835
Total assets	15,320	13,069	20,646
Total liabilities	16,703	12,249	12,401
Shareholders' equity (deficiency)	(1,383)	820	8,245

Overview

Genesis develops and licenses light steel structural building technologies. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures. The Company's operating activities consist of the ongoing development, licensing and application of its technologies through the structural products division. Genesis generates its revenues from both the licensing and the application of these technologies. The Company refers to the licensing of its technologies as the licensing division or licensing business and the application of its technologies to build structural products as the structural products division.

Overall Performance

Until 2006, the Company's revenues were driven primarily by sales and installation of structural products to end users. This activity has been ongoing over the last five years with the goal of developing and fine-tuning the Genesis Solution and the Company's licensing model. By 2005, the Company felt confident that the Genesis Solution and its licensing model were sufficiently advanced and proceeded to license its technologies worldwide.

The impact on the income statement from implementing the Company's licensing model will be significantly different from its historical business model which relied on structural products revenues. With its licensing model, the Company will generate revenue from five different streams:

1. upfront fees for licensing the Genesis Solution;
2. sales of industrial manufacturing equipment;
3. provision of set-up and training services;
4. royalty fees on licensee's revenues on a quarterly basis; and
5. additional fees for services such as engineering and other support services on an as-needed basis.

To prepare for its global licensing activities, the Company also incurred significant expenses in 2005 and 2006. These include:

1. investments in research and development for new structural products (such as i-SPAN) and software applications;
2. investments in sales and marketing for the Company's licensing activities such as an investment in human resources and marketing activities, including trade show attendance and preparation of marketing literature;
3. investment in the senior executive team of the Company by adding several key positions, to promote and implement the Company's licensing model globally;
4. investment in engineering resources that will be necessary to support future activities of licensees; and
5. investment in the Company's infrastructure, such as a new manufacturing facility in Vaughan, Ontario, which will enable Genesis to demonstrate its structural products and solutions to potential licensees.

Fiscal year 2006 was the first year that any significant revenue from licensing was recorded. In late 2005, the Company implemented a business model that focuses on licensing of the Genesis Solution. Based on the growth of licensing revenue from 2005 to 2006 as a result of its licensing activities, management expects that licensing revenue, going forward, will experience similar growth and will account for an increasing portion of its overall revenues. The licensing revenue recognized in 2006 included a transaction with a related party. The Company does not expect licensing revenue from related parties to be material in the future. Management's expectation is that future revenue from its licensing business may be greater than future revenue from its structural products business.

Geographically, the Company's structural products revenues are earned primarily in Ontario, Canada where the vast majority of research and development activities take place. While the Company's base is North America, its focus for licensing activities will be international. The Company divides the international markets in three sub-segments in order to manage and focus its marketing efforts: Canada and the United States, Europe, the Middle East and Africa ("EMEA"), and the rest of the world ("ROW").

The geographic distribution of the Company's revenues has been as follows:

	March 31		December 31		
	2007	2006	2006	2005	2004
			(in thousands)		
	\$	\$	\$	\$	\$
Canada	3,031	3,564	15,781	16,669	26,943
United States	197	1,000	2,886	434	—
EMEA	716	123	—	—	—
ROW	45	—	1,546	25	—
	<u>3,989</u>	<u>4,687</u>	<u>20,213</u>	<u>17,128</u>	<u>26,943</u>

The Company expects the revenue mix to change significantly over the next several years as licensing revenues grow. The Company intends to use part of the proceeds from the Offering to continue to increase its efforts to add new licensees in various regions of the world, with a particular emphasis on North America and Europe. Investments in human resources and marketing activities such as trade show participation are planned to support this effort.

Since December 31, 2006, to March 31, 2007, revenues continue in line with the Directors' expectations. The Directors are confident about the prospects of the Company for the current financial year.

Direct cost of revenues for structural products consists of direct labour, direct materials, selected plant overheads, shipping and installation costs. For licensing revenues, cost of revenues consists of the direct cost of the industrial manufacturing equipment.

Research and development costs consist primarily of salaries and other personnel costs, as well as certification and materials costs, including prototypes and testing, associated with new product introductions. This is a significant activity and the Company intends to use part of the proceeds of this Offering to continue its efforts in research and development.

Selling and marketing costs consist primarily of salaries and other personnel costs, including travel, participation in trade shows and conferences and other marketing activities.

Engineering and project management expense consists primarily of salaries and other personnel costs of the Company's engineering and project management team.

General and administration expense relates to general personnel costs, insurance, professional fees relating to tax, legal and accounting reviews, as well as bad debt costs. Bad debt consists of the charge taken in the year a receivable is deemed uncollectible by the Company and will include the expected legal costs incurred to collect such debts. Any recoveries are netted against these costs in the year they are collected.

Occupancy costs consist of rent, utilities, insurance and municipal taxes of rental properties.

Amortization costs relate to property, plant and equipment, intangible asset and deferred financing costs.

Foreign exchange gains relate to the positive or negative realization in foreign currency transaction between the time revenue is booked or expenses are incurred and the actual cash is received or expended.

Interest expense relates to the cost of carrying debt net of any interest earned on cash deposits.

Minimum royalty accretion is the imputed interest costs related to the capitalization of the minimum royalty payments to be made under the Company's agreement with BJI pursuant to which it licenses certain technologies for use in i-SPAN in the Canadian and United States markets.

The majority of the Company's business is transacted in two currencies, U.S. dollars and Canadian dollars. The Company expects the majority of its licensing revenues will be transacted in U.S. dollars. Since the headquarters of the Company are located in Canada, the majority of the Company's operating expenses are denominated in Canadian dollars. As such, the Company is exposed to the risk of fluctuation in the U.S.-to-Canadian dollar exchange rate. See "Risk Factors".

Liquidity And Capital Resources

Since its incorporation in July 2003, the Company has funded its operations and capital resources requirements through the issuance of equity securities and various types of debt financings. The Company has issued an aggregate of \$6,000,000 in debentures (the "Debentures") to two shareholders. Of the \$6,000,000 available from the issuance of the Debentures, \$4,000,000 was received in 2006 and was used to pay off existing bank indebtedness of \$2,034,410, with the remainder used for general corporate purposes. The remaining \$2,000,000 from the issuance of the Debentures was received in 2007 and will be used for general corporate purposes. The Company intends to use part of the proceeds from the Offering to repay the Debentures in full. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Related Party Transactions".

The Company has a history of operating losses and incurred losses of \$2,098,779 for the first quarter of 2007 and \$1,711,204 for the same period in 2006. The Company has incurred operating losses of \$7,459,612, \$7,142,616 and \$2,711,830, respectively, for the last three fiscal years. The Company also had negative cash flows from operating activities of \$1,882,602 in the first quarter of 2007 and \$1,770,060 for the first quarter of 2006. For the years ended December 31, 2006, 2005 and 2004, negative cash flows from operations were \$7,263,869, \$3,906,302 and \$2,755,715, respectively. The accumulated deficit as at March 31, 2007 was \$43,632,585, compared to \$41,420,356 at the previous year end. The Company's ability to continue as a going concern is dependent on receiving funds from the Offering, its ability to generate positive cash flows from operations of the business, and achieve future profitable operations through the successful execution of its strategy, none of which is assured. The Company believes that the anticipated net proceeds from the Offering and anticipated revenues from its licensing arrangements and structural products will be sufficient to enable the Company to fund operating activities and capital expenditures for the next 12 months.

The table below outlines selected balance sheet accounts and a summary of cash inflows and outflows by activities.

Selected Consolidated Balance Sheet and Cash Flow Data

	<u>Mar. 31, 2007</u>	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
	\$	\$	\$
Cash and cash equivalents	849,477	1,011,386	7,834,887
Working capital	(688,136)	368,848	5,973,672
Long-term assets	6,935,770	5,190,756	4,994,746
Long-term liabilities	7,631,444	4,739,747	2,723,197
Working capital ratio	0.92 to 1	1.0 to 1	1.6 to 1

Cash Inflows and (Outflows) by Activity

	<u>Mar. 31, 2007</u>	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
	\$	\$	\$	\$
Operating activities	(1,882,602)	(7,263,869)	(3,906,302)	(2,755,715)
Investing activities	(279,307)	(1,281,857)	(2,349,576)	(1,115,444)
Financing activities	2,000,000	1,722,225	7,017,865	9,333,575
Net cash inflows (outflows)	(161,909)	(6,823,501)	761,987	5,462,416

Cash and Cash Equivalents

As at March 31, 2007, the Company had \$849,477 in cash and cash equivalents, compared to \$1,011,386 as at December 31, 2006. This decrease of \$161,909 was attributed to \$1,882,602 of cash used in operations, \$279,307 used in investing activities, offset by \$2,000,000 obtained in financing activities.

As at December 31, 2006, the Company had \$1,011,386 in cash and cash equivalents, representing a decrease in cash of \$6,823,501 from the beginning of the fiscal period. This decrease in cash was due primarily to the \$7,263,869 of cash used in operating activities, the \$1,281,857 of cash used in investing activities, and offset by the net infusion of \$1,722,225 in cash from the Debentures issued in December 2006.

Working Capital

Working capital is calculated as the difference between the Company's current assets and current liabilities. The Company's working capital balances decreased by \$1,056,984 from December 31, 2006 to March 31, 2007. This decrease is due primarily to the deferred share issue cost of \$1,359,050 which is recorded as a current liability in accounts payable and accrued liabilities but is not recognized as a current asset as it will eventually be netted against the proceeds of the Offering. Without this, working capital would have improved by \$302,066 during the quarter.

Offsetting the deferred issue cost is in part, the inclusion of the receivable from the Spanish licensee for \$143,750 in current assets. Under this licensing arrangement, the Company provided extended payment terms on the license, due in equal payments over the next four years. As a result of this arrangement being outside regular customer payment terms, current accounting rules require the Company to set up a short-term and long-term portion for this receivable, to properly reflect the amount due in the current year. The Company will recognize revenue on the annual portion of this license as it is received on a cash basis, as required under GAAP.

The Company's working capital balances decreased by \$5,604,824, from \$5,973,672 in 2005 to \$368,848 at December 31, 2006. This decrease was caused by the cash used in operating activities offset by the issuance of Debentures and repayment of the Company's bank line of credit. The Debentures are being treated as a long-term liability, whereas the bank line of credit was a current liability.

Cash Used in Operating Activities

The Company continues to fund its operating activities in addition to its ongoing research and development activities. During the first quarter of 2007, a total of \$1,882,602 was spent on operating activities. As indicated in the analysis of licensing activity (see "Comparison of Fiscal Periods ended March 31, 2007 and March 31, 2006"), the Company shipped some equipment in the first quarter of 2007 to the Spanish licensee. No equipment was held for resale to licensees during the previous quarter ended December 31, 2006. The increase in inventory reflects changes in the Company's own inventory as well as inventory held for resale to licensees. Until such equipment is shipped to a licensee and recognized as revenue, the Company assembles this equipment to allow for efficient and lower cost shipping. At March 31, 2007, equipment held for resale accounted for \$1,474,609 of the increase in inventories of \$1,565,527.

Over the past three years, cash has been used in operations primarily to fund the Company's ongoing research and development activities which consist primarily of the development of software applications, industrial technologies, development of new light steel products and the application of these industrial

technologies to construction projects. As well, the Company has been increasing its sales and marketing activities to stimulate the growth of the licensing of its technologies.

Cash Used in Investing Activities

During the first quarter of 2007, the Company spent \$199,307 in new property, plant and equipment, primarily at its new facility that is housing the Light Steel Joist's operations. The Company also paid out \$80,000 as a minimum royalty due under the BJI license arrangement.

Over the past three years, the Company has invested in long-term assets used in its research and development activities. The Company's investment in plant and equipment was \$1,081,857 in 2006, \$1,631,539 in 2005 and \$457,967 in 2004. Minimum royalties obligations under the license agreement with BJI was \$1,572,302 in 2006 and \$1,479,359 in 2005. In 2004, the Company invested \$657,477 as the first payment for the licensing of its i-SPAN technology.

Cash Provided by Financing Activities

During the first quarter of 2007, the Company drew down on the remaining \$2,000,000 available under the Debentures.

Over the past three years, the Company has obtained financing from three primary sources: issuance of equity, issuance of debentures and a bank line of credit. In 2006, the Company received \$4,000,000 of the \$6,000,000 available pursuant to the issuance of the Debentures to repay its bank indebtedness of \$2,034,410 and for general corporate purposes. Currently, the Company does not have a bank line of credit. In 2005, the Company received cash from two sources: it issued equity for net proceeds of \$4,983,455 and drew on its bank line of credit by \$2,034,410. In 2004, the Company issued equity for net proceeds of \$9,333,575.

Liquidity and Capital Resources Requirements

Based on the Company's recent performance, current revenue projections and the anticipated proceeds from the Offering, the Directors and management, after due and careful enquiry, believe that the working capital available to the Company will be sufficient for its present requirements to fund its current operating and working capital requirements for the next 12 months from the completion of the Offering. Management believes that the Offering is key to funding the activities needed to continue to grow its global licensing activities and continue its product innovations.

Contractual Obligations

The Company has entered into two long-term contracts in the ordinary course of business, which are reflected as contractual obligations.

The first commitment is for the new facility located in Vaughan, Ontario, which will showcase the Company's new CTP and CTJ industrial technologies. Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years commencing on January 31, 2007 and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. Annual basic rent of \$727,040 is payable monthly. The Company is also liable for additional expense for operating costs, utilities and taxes.

The second commitment relates to the technology licensing and ongoing development of i-SPAN. Pursuant to a license agreement entered into on November 10, 2004 between the Company and BJI, the Company is obligated to make quarterly royalty payments of \$0.02 per pound of joist system produced, with a minimum royalty of \$80,000 per quarter until August 2008 and \$150,000 per quarter from August 2008 until November 2011. Until November 2006, these minimum royalty payments were reduced by 50%. The agreement may be terminated by BJI on 10 days' notice if the Company fails to make the applicable payments. The Company has capitalized the present value of these future minimum royalty payments as an intangible asset and has recognized the future liability as both current and long-term liabilities as minimum royalty payment obligation. See "Business of the Company — Protection of Intellectual Property".

The following table summarizes the Company's contractual commitments at March 31, 2007:

	Years			Thereafter	Total
	<1	1-3	3-5		
	\$	\$	\$	\$	\$
Property leases	783,375	2,090,550	1,947,143	4,816,639	9,637,707
Equipment leases	88,989	88,499	8,405	—	185,893
Minimum royalty payments	240,000	1,060,000	1,200,000	—	2,500,000
Debenture ⁽¹⁾	—	6,000,000	—	—	6,000,000
Total	<u>1,112,364</u>	<u>9,239,049</u>	<u>3,155,548</u>	<u>4,816,639</u>	<u>18,323,600</u>

(1) Of the \$6,000,000, there was \$4,000,000 in principal outstanding as at December 31, 2006, and the remaining \$2,000,000 in principal was drawn subsequent to December 31, 2006.

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. The Company is required to accrue for such loss contingencies if it is probable that the outcome will be unfavourable, and if the amount of the loss can be reasonably estimated. The Company evaluates its exposure to loss based on the progress of each contingency, experience in similar contingencies and consultation with internal and external legal counsel. The Company re-evaluates all contingencies as additional information becomes available.

Critical Accounting Policies and Estimates

Revenue Recognition

Revenue is recognized when earned, specifically when persuasive evidence of an arrangement exists, services and products have been delivered and the sales price or fees are fixed and determinable and collection of proceeds is considered reasonably assured. With respect to construction contracts and certain engineering services contracts, revenue is recognized on the percentage-of-completion basis. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

Construction Contracts — Structural Products

Effective from January 1, 2004, revenue from construction contracts is recognized on the percentage-of-completion basis. The percentage-of-completion is determined by actual engineering drawings completed, fabricated panels and trusses manufactured and installation completion estimates based on panels and trusses installed. Amounts earned but unbilled are recorded as construction contracts in progress. Revisions in costs and earnings or loss estimates during the course of the contract are reflected during the period in which the changes in estimates become known. Losses on contracts are recognized in the period in which such losses are known.

Prior to January 1, 2004, the Company recognized revenue on construction contracts using the completed contract method of accounting, whereby all costs and revenues are deferred as construction contracts in progress until contract completion, as the Company did not have the requisite systems to make reasonably dependable estimates required to apply the percentage-of-completion method. Losses on contracts are recognized in the period in which such losses are known.

The application of percentage-of-completion accounting requires management to make estimates and assumptions that may affect reported revenue and cost of revenue. Actual performance on contracts may differ from these estimates and the differences may be material.

License Arrangements

The Company's license arrangements represent multiple-element arrangements which may include any combination of software, technology (generally comprising designs, specifications and documentation), equipment and services (comprising engineering and marketing support). These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition. These units of accounting or elements may be separated or combined based on the specific terms of the contract and recognized when:

- i) there is objective and reliable evidence of the fair value of undelivered items;
- ii) the delivered items have value to the customer on a stand-alone basis; and
- iii) delivery or performance of the undelivered items is considered probable and substantially in the control of the Company.

The Company's revenues under its license arrangements is recognized as follows:

(a) Software, technology and equipment

Revenue is recognized under a particular arrangement when all of the software and technology are delivered to the customer, which is when all significant contractual obligations for these elements have been fulfilled.

(b) Equipment

Revenue from the sale of equipment is recognized when title passes to the customer and the item has value to the customer on a stand-alone basis. Vendor specific objective evidence ("VSOE") of value is based on third party evidence of pricing.

(c) Services

Revenue from services is recognized as the services are provided to the customer. VSOE is based on third party evidence of rates/pricing used for similar services provided by other companies in the industry.

Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to each component of the arrangement based on the VSOE of fair value of undelivered elements.

Royalty Income

Income from royalties is recognized in the period earned based on future sales by licensees.

Other Services

Revenue for services, primarily engineering, provided under separate, standalone arrangements, is recognized on the percentage-of-completion basis.

Asset Impairments

The Company performs an evaluation of long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. Impairment exists when the carrying amount of an asset is not recoverable based on related undiscounted future cash flows and its carrying amount exceeds its estimated fair value based on related discounted cash flows.

Allowance for Doubtful Accounts

The Company evaluates the collectibility of its accounts receivable based on a combination of factors. In cases where management is aware of circumstances that may impair a specific customer's ability to meet its financial obligation to the Company, a specific allowance against the amounts due to the Company is recorded, which reduces the net recognized receivable to the amount management reasonably believes will be collected.

For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experiences.

Stock-Based Compensation

The Company records a compensation expense for stock options granted to employees on or after January 1, 2003. Compensation expense for stock options granted to employees is measured at the fair value at the grant date using the minimum value method and charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus. Any consideration paid by employees on exercise of stock options is credited to capital stock.

Income Taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

Comparison of Three-Months Ended March 31, 2007 and March 31, 2006

Revenues

(a) Licensing

Licensing revenue grew by 491% to \$958,778 in the first quarter of 2007, from \$162,302 for the first quarter of 2006. The licensing revenue reflects the shipment of equipment to the Spanish licensee, plus services performed for other licensees. No equipment was shipped in the quarter ended March 31, 2006. No revenue was recorded for the Spanish license fee as this is being paid over a four year period commencing December 31, 2007, and will be recognized as revenue upon receipt of payment. In this quarter, the Company recognized its first royalty fees from licensing activities amounting to \$43,120.

(b) Structural Products

Revenues from structural products for the first quarter of 2007 decreased by 33%, compared to the same quarter last year. In line with its production schedule, the Company produced fewer panels during this period as the majority of the projects the Company had undertaken will commence during the summer construction season. In addition, the Company experienced reduced manufacturing activity attributed to the relocation of the Light Steel Joist operation to the new facility.

Direct Cost of Revenues

(a) Licensing

Direct cost of revenue for licensing was \$524,671 for the first quarter of 2007, or 55% of its revenue in the first quarter of 2007, compared to \$63,429 or 39% of revenue for the same period in 2006. This is in line with the Company's expectations for its licensing division as equipment was shipped to the Spanish licensee in 2007. The revenue earned in the same period in 2006 related only to engineering services provided to a licensee.

(b) Structural Products

Direct cost of revenues for structural products was \$2,090,817 for the first quarter of 2007, or 69% of its revenue in the first quarter of 2007, compared to \$4,375,512 or 97% of revenue for the first quarter of 2006. This improvement in direct cost of revenues is in line with the Company's plan to improve the profitability of the structural products division on a going forward basis through the execution of higher margin projects.

Research and Development

Research and development expenses decreased nominally by \$6,575 for the first quarter of 2007 compared to the same period last year.

Sales and Marketing

In line with the Company's strategic objectives, the Company was very active in the sales and marketing area during the first quarter of 2007, compared to the first quarter of 2006. A Vice President of Sales for structured products was hired this quarter and additionally, the Company's sales complement increased by four individuals. The Company attended three more international trade shows in the first quarter of 2007 compared to the same period last year. Commission expenses on both licensing and structural products revenue were incurred in the first quarter of 2007, while none were incurred for licensing in the same quarter last year. Collectively, these activities accounted for the increase in expenses of \$140,821.

Engineering and Project Management

This expense increased by \$111,085 in the first quarter of 2007, compared to the same quarter last year. The Company is preparing for an increased demand for engineering services from both its structural products and licensing segments. To this end, the Company has hired an additional five people to meet this demand. As well, general staff compensation increased as the Company needed to increase compensation in this department to remain competitive and retain its trained staff.

General and Administrative

This expense increased by \$424,973 in the first quarter of 2007, compared to the same quarter last year. The position of Executive Chairman of the Board was in place in the first quarter of 2007, but not in the same quarter of 2006. During the first quarter of 2007, a number of temporary accounting staff were employed on a contract basis. All of these changes accounted for \$242,069 of the total increase in general and administrative expense. The Company also expects to hire a Chief Accounting Officer and a Divisional Controller for the structured products division in the second quarter of 2007. The Company has strengthened its management team, particularly in the finance and corporate governance areas in anticipation of the Offering. The remainder of the increase resulted from additional legal fees, audit fees and tax consulting fees the Company incurred in relation to its ongoing operations.

Occupancy

Occupancy expense decreased by \$20,327 for the first quarter of 2007, compared to last year. During the quarter, the Company vacated the former facilities of the Light Steel Joist operation. Additionally, the Company was able to further reduce the storage cost for completed panels. As a result of the move to a new facility in the first quarter of 2007, two months of rent for Light Steel Joist and one month of rent for KML were reclassified as plant commissioning costs as they were incurred prior to each plant commissioning. The occupancy costs reclassified in the first quarter of 2007 were approximately \$201,643.

Plant Commissioning Costs

In the first quarter of 2007, the Company incurred \$222,591 of plant commissioning costs and none in the same period for 2006. These costs relate to the rent, utilities and other costs for its new facilities while the Company was undertaking the commission of both plants for its Light Steel Joist and KML operations. The Light Steel Joist plant was commissioned on March 5, 2007, and the Company expects the KML plant to be commissioned on June 11, 2007.

Amortization

Amortization expense increased by \$56,330 in the first quarter of 2007, compared to last year's first quarter. This increase is related to the additional manufacturing assets the Company employed during the 2007 year.

Foreign Exchange Gain

The Company had a foreign exchange gain of \$13,207 in the first quarter of 2007, compared to a loss of \$26,800 for the same period last year, all of which is attributable to the fluctuating value of the Canadian dollar.

Interest Expense

The Company incurred interest expense of \$144,547 in the first quarter of 2007 related to the interest charge on the outstanding Debentures. This has been reclassified as debenture and loan interest expense. The Company repaid its bank loan and at March 31, 2007 does not have a bank credit facility. During the first quarter of 2006, the Company recorded interest income of \$4,876 from positive cash balances.

Minimum Royalty Accretion

Minimum royalty accretion increased slightly for the first quarter of 2007 by \$1,091 over the first quarter of 2006.

Debenture and Loan Interest Expense

On January 1, 2007, the Company adopted the CICA Handbook Section 3855, Financial Instruments — Recognition and Measurement. As a result of this adoption, the standard requires that the Company retroactively, without restatement, amortize certain financing costs over the expected life of such financing. The expenses in question include deferred financing costs, the penalty due on prepayment of the Debentures, and the Debenture accretion expense. As at March 31, 2007, these costs totalled \$618,334 including interest expense of \$144,547 noted in “Interest Expense” for a net cost of \$473,787.

Comparison of Fiscal Years Ended December 31, 2006 and December 31, 2005

Revenues

(a) Licensing

2006 was the first year any significant revenue was recorded for licensing. Total licensing revenue was \$3,506,945; a growth rate of 1,745% over the 2005 licensing revenue of \$190,070.

In 2006, Genesis delivered software and industrial manufacturing equipment to two licensees, one in Iran and the other in the United States. The United States licensee in Alabama, USG, has informed the Company that it has ceased its structural products operations effective June 2007. The Iranian licensee is in the process of installing its industrial manufacturing equipment and is expected to begin supplying structural products to its local market by the end of the year.

In 2007, the Company expects to deliver additional software and industrial manufacturing equipment to other licensees and anticipates that three licensees will be in a position to supply structural products to their local markets by the end of 2007. As well, the Company expects to record its first royalty payments in 2007, as minimum royalties, based on specified minimum sales targets set out in the specific licensing arrangement, are expected from three licensees in 2007. Finally, services revenue is expected to grow in 2007 as demand for the Company’s services is expected to increase with demand from licensees.

(b) Structural Products

Revenues from structural products decreased slightly in 2006 by 1.4% to \$16,705,823, compared to \$16,937,549 in 2005 as a result of delays in the start of certain construction projects due to weather conditions and delays in obtaining building permits.

Direct Cost of Revenues

(a) Licensing

The amount of \$1,731,301 in cost of revenue for licensing in 2006 represents the cost of the industrial manufacturing equipment sold to two licensees. In 2005, the direct cost of revenue for licensing was nil.

(b) Structural Products

Direct cost of revenues for structural products increased by \$1,227,611 in 2006, which represents an increase of 8.2% over 2005. The cause of this increase related to currency exchange rate costs and an underestimation of costs for two construction projects undertaken in the year; one in the Southern United States and one in

Canada. The Company believes that it has gained enough experience in construction projects through its research and development efforts in the past to now focus this segment in becoming profitable in the future.

Research and Development Expense

Research and development costs increased from \$946,606 in 2005 to \$1,040,760 in 2006. This increase of \$94,154 was primarily a result of increased compensation costs for employees for the year.

Selling and Marketing Expense

Selling and marketing costs grew by \$132,935, from \$1,207,984 in 2005 to \$1,340,919 in 2006. Headcount increased from six to nine during this period, which caused the Company's employee compensation expense to grow by approximately \$88,000. The remaining cost increases were due to increased participation in international trade shows and the related travel expenses.

Engineering and Project Management Expense

This expense grew by \$372,490, from \$996,043 in 2005 to \$1,368,533 in 2006. During this period, the Company's headcount increased from 20 to 25, and the resultant compensation cost increase was approximately \$394,000. The increase in headcount is directly related to the support given to new licensees.

General and Administrative Expense

General and administrative expense decreased by \$720,266, from \$4,312,337 in 2005 to \$3,592,071 in 2006. Bad debt expense reduced by approximately \$1,336,000, which reflects the partial collection efforts of one account in 2006 and tighter collection procedures put in place, such as holding regular meetings to review outstanding customer accounts and enforcement of the Company's lien rights to facilitate late payments. Headcount increased from 12 in 2005 to 14 in 2006. There was an increase in the senior management team with the addition of a full-time Executive Chairman in 2006; severance costs for the former Chief Financial Officer and additional salary changes to remain competitive caused salary expense to increase by approximately \$398,000. Professional fees, primarily audit, legal and tax advice, grew by approximately \$282,000 in 2006. The Company expects this cost to increase in 2007 as a result of it becoming a reporting issuer in Canada with its common shares listed on the TSX and admitted to trading on AIM.

Occupancy Expense

Occupancy expense grew by \$205,623 in 2006, from \$976,836 in 2005 to \$1,182,459 in 2006. This increase is directly related to increased costs of leased premises. The Company expects this cost to increase in the future with the move in 2007 to the new facility in Vaughan, and the need for additional office space to support the growth in the Company's licensing activities.

Plant Commissioning Costs

There was no expense in 2006 and the expense in 2005 related to commissioning the temporary i-SPAN plant. In 2007, the Company expects there will be costs associated with commissioning the new manufacturing facility in Vaughan.

Amortization

Amortization expense grew by \$309,582 in 2006, from \$586,230 in 2005 to \$895,812 in 2006. An increase of \$163,000 was due to the amortization of the i-SPAN technology and the remainder of the increase related to the depreciation expense of plant and equipment acquired part way through 2005 and in 2006.

Foreign Exchange Gain

Foreign exchange gain grew by \$55,076 in the year, up from \$9,484 in 2005 to \$64,560 in 2006. This increase is attributable to the changing value of the Canadian dollar vis-à-vis the U.S. dollar during the year.

Interest Expense

Interest expense for the year grew by \$215,370, from interest income of \$77,035 in 2005 to an interest expense of \$138,335 in 2006. This reflects the cash position of the Company over the past two years and the requirement to borrow funds in 2006.

Minimum Royalty Accretion

Minimum royalty accretion increased by \$120,091 in 2006 as the amount related to the future minimum royalty payments under the license agreement with BJI was for the whole year in 2006 and for only part of the year in 2005.

Comparison of Fiscal Years ended December 31, 2005 and December 31, 2004

Revenues

(a) Licensing

Licensing revenue of \$190,070 in 2005 represented a growth of 13.7% over 2004. All of this revenue was related to engineering services performed for a licensee. Activities surrounding licensing revenues increased during 2006 as the Company prepared to license its Genesis Solution worldwide.

(b) Structural Products

Revenue in 2005 from structural products was less than that recorded in 2004 by \$9,837,980. This was mainly a result of a change in the method of accounting, as the Company changed its revenue recognition for structural products from the completed contract method to the percentage-of-completion method effective January 1, 2004. The percentage-of-completion method is the preferred method for revenue recognition, however, the Company's system at the time was not sophisticated enough to use this methodology; thus the Company used the completed contract method. Under the completed contract method, the Company would have to wait until a contract was completed before it recognized any revenue. This change caused the Company to recognize revenue from jobs started in 2003, but that were not finalized by December 31, 2003, along with revenue for jobs started in 2004, all in the fiscal year ended December 31, 2004. This increased revenue in fiscal 2004 by \$8,043,000. Therefore, 2004 revenue is higher than 2005 as a result of changing the method of application of revenue recognition. In 2004, the cost of steel increased significantly resulting in higher costs for the Company. Consequently, the Company closed fewer deals during this period until it was able to reduce costs in other areas to offset the steel cost increase.

Direct Cost of Revenues

Direct cost of revenues changed from \$23,296,253 in 2004 to \$14,926,196 in 2005; a decrease of \$8,370,057. Of this, \$6,339,000 related to the change in method of accounting, and \$2,031,057 related to the decrease in normalized revenue from 2004.

Research and Development Expense

Research and development expense increased by \$390,526, from \$556,080 in 2004 to \$946,606 in 2005. Headcount increased during 2005 from 7 to 12 and this caused a resultant increase in personnel costs for the year. The increase in research and development effort was directed towards completing and refining the elements of the Genesis Solution consistent with the Company's focus to prepare itself to implement its licensing business model.

Selling and Marketing Expense

Selling and marketing expense grew by \$520,553, from \$687,431 in 2004 to \$1,207,984 in 2005. Headcount grew from five to six during 2005, while the headcount for 2004 was added very late in the year. The personnel cost difference for the two years was approximately \$461,000. In 2005, the Company established a sales team for licensing and hired a senior sales executive to lead this effort.

Engineering and Project Management Expense

The engineering and project management expense decreased by \$123,659, from \$1,119,702 in 2004 to \$996,043 in 2005. While headcount increased from 15 to 20 during the year, there was a period during the year when the actual number of employees in engineering and project management was below 15 during 2005 and the increase in headcount happened near the end of 2005.

General and Administrative Expense

General and administrative expense increased by \$1,962,967, from 2004 to 2005. Of that increase, approximately \$385,000 related to increased salary and other human resource costs as the Company set up its head office and prepared for the licensing of its technology worldwide. The office of Chief Financial Officer was established that year and a legal manager and two accounting clerks were hired. There was also an increase in professional fees relating to legal and tax advice. In addition, the bad debt expense for the year grew by approximately \$1,202,000. This was primarily the result of unrecovered receivables relating to two projects, one of which was settled in 2006 and the other of which is still in litigation. See "Legal Proceedings".

Occupancy Expense

Occupancy expense grew by \$96,561, from \$880,275 in 2004 to \$976,836 in 2005. This increase was due to the relocation of the head office, including relocating the research, development and engineering staff to the head office.

Plant Commissioning Costs

The plant commissioning expense was \$231,670 in 2005 and there was no expense in 2004. This was the cost of setting up the temporary i-SPAN manufacturing facility in 2005.

Amortization Expense

The amortization expense grew by \$241,735, from \$344,495 in 2004 to \$586,230 in 2005. This increase was due to the increase in depreciation expense on property, plant and equipment additions made during both 2004 and 2005, and the recording of the amortization of \$106,657 on the license with BJI for the first time in 2005.

Interest Expense

Interest expense of \$181,089 in 2004 was eliminated in 2005 and interest income of \$77,035 was earned in 2005. This change was a direct result of the net investment of \$9,333,575 of equity that occurred in late 2004. This cash infusion allowed the Company to invest surplus cash during 2005, thus earning interest income.

Impairment Loss

In 2004, the Company wrote off \$249,711, representing the then book value of model homes. In 2004, the Company took the position that the model homes did not have any remaining value and the asset was written off. There was no such charge in 2005.

Minimum Royalty Accretion

In 2005, the Company incurred a minimum royalty accretion expense for the first time as the commercialization of the license agreement with BJI with final product testing was completed.

Transactions with Related Parties

Debentures

On December 4, 2006, the Company borrowed \$4,000,000 of the available \$6,000,000 by way of Debentures issued to 2007129 Ontario Inc. and Jetport Inc., both shareholders of the Company. The Company subsequently increased its borrowings to \$6,000,000 pursuant to the Debentures. The Debentures are secured by a general security agreement granting the Debenture holders a first charge over all the assets and undertakings of the Company, and a pledge of shares of subsidiary companies and is guaranteed by each of GenesisTP, KML, the KML Limited Partnership, Light Steel Joist and 6118216 Canada Inc. Interest on these Debentures is payable monthly at 12.75% per annum. The Debentures mature at the earlier of (i) 24 months from December 4, 2006; (ii) the date immediately prior to an initial public offering, as defined in the Debentures; or (iii) immediately prior to a change of control of the Company, and can be prepaid at any time after the first anniversary of December 4, 2006 in specified minimum increments with pre-payment penalty. Upon completion of the Offering, the Debenture holders are entitled to a pre-payment penalty equal to the amount of \$120,000 in the aggregate or 2% of the principal amount outstanding as a penalty for early payment of the Debentures, such early payment triggered by the accelerated maturity of the Debentures as a result of the completion of the Offering.

The Debentures contain various covenants which, among others, require the Company to maintain certain financial ratios.

In connection with the issuance of the Debentures, Genesis also issued to the Debenture holders special warrants to acquire common share purchase warrants of the Company at no additional consideration. These special warrants are the only warrants issued by the Company. The special warrants entitle the Debenture holders to acquire, through the exercise of the underlying common share purchase warrants, the number of common shares equal to \$1,800,000, or 30% of the principal amount of the Debentures outstanding, divided by the exercise price of \$2.15385, determined in accordance with the terms of the common share purchase warrants, for a total of 835,712 Common Shares. Any unexercised common share purchase warrants shall expire on the earlier of (i) a date that is five years from the Closing Date, and (ii) immediately prior to a change of control of the Company. Both special warrant holders have given the Company notice of exercise of their special warrants, with effect as of the business day immediately following the business day on which the Company receives a receipt for the final prospectus in connection with the Offering. This prospectus also qualifies the distribution of the common share purchase warrants underlying the special warrants.

Expenses related to this financing at the exchange amount between the parties comprise interest due to lenders of \$36,144, issue costs and fees of \$243,365 and warrant liability of \$600,000.

Licensing Arrangement

USG, parent of CGC Inc., a shareholder of the Company, entered into a license arrangement with the Company. USG built structures using the Genesis Solution until June 2007. Revenues earned in 2006 at the exchange amount between the parties amounted to \$1,956,202 (\$1,093,662 of which constituted a one time payment for the purchase of equipment) and nil in 2005 and 2004. Advances and fees received and recorded as deferred revenue in 2006 amounted to nil, \$1,913,400 in 2005 and nil in 2004. The Company previously had an alliance arrangement with this shareholder and earned no revenue during 2006, \$60,000 in 2005 and \$60,000 in 2004.

Commercial Contract

Zuzum Acquisition Inc., a beneficial shareholder of the Company, is an affiliate of Muzzo Brothers Group Inc., which is a contract customer of the Company with regular credit terms. Revenues earned during 2006 at the exchange amount between the parties is \$1,696,052, \$285,912 in 2005 and \$2,054 in 2004, and the amount included in accounts receivable in 2006 is \$378,494, \$71,942 in 2005 and \$16,050 in 2004.

Lease

Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years commencing on January 31, 2007 and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. Annual basic rent of \$727,040 is payable monthly. The Company is also liable for additional rent for operating costs, utilities and taxes.

Borrowings

During 2004, the Company repaid loans from related parties and incurred interest expense of \$181,089. The lenders re-contributed the funds as capital and were issued Series C Preferred Shares.

Outlook

The Company expects that revenues will continue to increase through the expected addition of new licensees and the sale of additional structural products and services, as well as through the Company's implementation of its growth strategy. See "Business of Genesis — Genesis' Growth Strategy" and "Risk Factors".

Adoption of Recent Canadian Accounting Pronouncements in 2007

Accounting Changes

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, *Accounting Changes* ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. Section 1506 also requires disclosure of information relevant to assessing the possible impact that the application of a new GAAP standard will have on the Company's interim consolidated financial statements in the period of initial application. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 has had no impact on our consolidated financial statements in 2007 or prior periods.

Comprehensive Income and Financial Instruments

On January 1, 2007, the Company adopted the CICA Handbook Section 1530, *Other Comprehensive Income*, Section 3855, *Financial Instruments — Recognition and Measurement* and Section 3861, *Financial Instruments — Disclosure and Presentation*.

Section 1530, *Other Comprehensive Income*

The new rules require that the Company present a new statement of comprehensive income, which is comprised of the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company had no other comprehensive income for all periods presented.

Section 3855, *Financial Instruments — Recognition and Measurement*

Section 3861, *Financial Instruments — Disclosure and Presentation*

Financial Assets and Financial Liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurements are dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity and available-for-sale financial assets that do not have quoted market prices in an active market. Settlement date accounting continues to be used for all financial assets, except changes in fair value between the trade date and settlement date are reflected in the interim consolidated statements of loss, comprehensive loss and deficit for held-for trading financial assets, while changes in fair value between trade date and settlement date are reflected in other comprehensive income for available-for sale financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets that are initially recognized at fair value and thereafter are accounted for at cost or amortized cost.

Other Liabilities

Other liabilities are non-derivative financial liabilities that are initially recognized at fair value and thereafter are recorded at amortized cost and include all liabilities, other than derivatives or liabilities to which the fair value designation has been applied.

Transaction Costs

Transaction costs related to debt financing are netted against the carrying value of the liability and then amortized over the expected life of the Debentures of six months using the effective interest method.

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flows analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Classification of Financial Instruments

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

- Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.
- Accounts receivable are classified as loans and receivables.
- Bank indebtedness, accounts payable and accrued liabilities, and warrants liability are accounted for as other liabilities and initially measured at fair value, and debentures and minimum royalty payment obligations are accounted for as other liabilities at amortized cost.

On January 1, 2007, the Company made the following adjustments to its interim consolidated balance sheet after the adoption of the new requirements for financial instruments:

	<u>As of</u> <u>January 1, 2007</u>
	\$
Debit (credit)	
Interim Consolidated Balance Sheets	
Deferred financing costs (<i>note 8</i>)	(203,506)
Accounts payable and accrued liabilities (<i>note 8</i>)	(120,000)
Debentures due to related parties (<i>note 8</i>)	210,056
Deficit	113,450

Deferred financing costs have been reclassified on a comparative basis as a reduction in debentures due to related parties.

The impact of these changes on the interim consolidated statements of loss, comprehensive loss and deficit increases net loss as follows:

	<u>Three Months Ended</u> <u>March 31, 2007</u>
	\$
Debit (credit)	
Consolidated Statements of Loss, Comprehensive Loss and Deficit	
Debenture and loan interest expense (<i>note 8</i>)	371,939

USE OF PROCEEDS

Genesis expects to receive \$15,100,000 in net proceeds from the Offering, after deducting fees payable by Genesis to the Underwriters and the expenses of the Offering estimated to be \$4,900,000. If the Over-Allotment Option granted by Genesis is exercised in full, Genesis expects to receive an aggregate of \$17,920,000 in net proceeds after deducting the Underwriters' fee and the estimated expenses of the Offering.

Genesis expects to use the net proceeds it receives from the Offering as follows (in order of priority):

- (i) up to \$1.0 million to fund an expansion of sales, marketing and customer support capabilities for the Company's licensing activities;
- (ii) up to \$500,000 to fund an expansion of the sales, marketing and project management capabilities for the Company's structural products;
- (iii) up to \$3.0 million to install a complete coil-to-panel line at the Company's new Vaughan, Ontario facility;
- (iv) up to \$500,000 to fund ongoing research and development in the design and development of (a) new shapes of, and connections between, light steel components that would increase the strength-to-weight ratio of such components; (b) technologies that increase efficiencies throughout the manufacturing process; and (c) new services (e.g. electrical, mechanical) to its panelized products which would improve the value and efficiency of such products to customers;
- (v) up to \$6.0 million to repay the outstanding principal, interest and penalties under the Debentures held by 2007129 Ontario Inc. and Jetport Inc., each an insider of the Company. Such Debentures were issued in 2006 to repay an operating credit facility previously provided by Royal Bank of Canada and for general corporate purposes; and
- (vi) the balance for general corporate purposes.

Genesis will use reasonable efforts to ensure that it does not use any part of the proceeds received from U.S. citizens and permanent residents, U.S.-organized entities and their foreign branches, and individuals and

entities actually located in the United States (collectively, “U.S. Persons”) to further its business in or with countries or persons against which the United States maintains or may impose economic sanctions (“U.S. Sanctions Targets”). See “Risk Factors — Risks related to economic sanctions for certain investors”.

While Genesis currently anticipates that it will use the net proceeds of the Offering received by it as set forth above, Genesis may for sound business reasons re-allocate the net proceeds from time to time having consideration to its strategy relative to the market and other conditions in effect at the time. Pending use of its net proceeds, such net proceeds will be invested in cash and interest bearing, short-term investment grade securities.

WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Offering receivable by Genesis, the working capital available to Genesis and its Subsidiaries will be sufficient for its present requirements, for at least 12 months from the Closing Date.

CONSOLIDATED CAPITALIZATION

Capitalization Table

The authorized capital of Genesis consists of an unlimited number of Common Shares and an unlimited number of New Preferred Shares (as defined under “Description of Share Capital — New Preferred Shares” below). On January 1, 2006 and December 31, 2006, the authorized and issued share capital of the Company consisted of 4,616,430 Series A Preferred Shares, 1,000,000 Series B Preferred Shares, 3,899,999 Series C Preferred Shares and an unlimited number of Common Shares, none of which were issued. The following table sets forth Genesis’ capitalization as of January 1, 2006 and December 31, 2006 (i) on an actual basis, and (ii) on a pro forma basis as adjusted to reflect the Offering and the use of proceeds (without giving effect to the exercise of the Over-Allotment Option or the Compensation Option). This table should be read in conjunction with “Use of Proceeds”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the audited annual financial statements and related notes appearing elsewhere in this prospectus and “Description of Share Capital”.

	As at January 1, 2006	As at December 31, 2006	As at December 31, 2006, after giving effect to the Offering
Cash and Cash Equivalents	\$7,834,887	\$1,011,386	\$ 21,011,386 ⁽¹⁾
Long Term Debt	—	3,423,985 ⁽²⁾	Nil ⁽²⁾
Series A Preferred Shares	4,616,430	4,616,430	N/A ⁽³⁾
Series B Preferred Shares	1,000,000	1,000,000	N/A ⁽³⁾
Series C Preferred Shares	3,899,999	3,899,999	N/A ⁽³⁾
Common Shares	—	—	30,982,858 ⁽³⁾
New Preferred Shares	—	—	N/A ⁽⁴⁾

(1) Before giving effect to the exercise of the Over-Allotment Option and before deducting Underwriters’ Fees and expenses of the Offering.

(2) Consists of \$4,000,000 in principal and \$23,985 in debenture interest expense accretion less \$600,000 allocated to the warrant liability. The Company intends to use a portion of the proceeds to repay the principal amount of \$4,000,000 outstanding as of December 31, 2006 and repay additional amounts borrowed under the debentures subsequent to December 31, 2006, of \$2,000,000 in the aggregate, plus interest and penalties.

(3) After giving effect to the exchange of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares to Common Shares as more fully described in “Description of Share Capital — History of Share Capital”.

(4) After giving effect to the amendment of the Articles to authorize a new class of preferred shares as more fully described in “Description of Share Capital — History of Share Capital”, of which none are currently issued and outstanding.

On December 4, 2006, the Company borrowed \$4,000,000 of an available \$6,000,000 by way of Debentures issued to 2007129 Ontario Inc. and Jetport Inc., each an insider of the Company. The Company subsequently

increased its borrowings to \$6,000,000 pursuant to the Debentures. The Debentures earn interest at 12.75% per annum, payable monthly and mature upon the earlier of (i) December 4, 2008, (ii) the date immediately prior to an initial public offering of the Common Shares, meeting certain requirements as set forth in the Debentures; and (iii) immediately prior to a change of control of the Company. Upon the completion of the Offering, the Debenture holders are entitled to a pre-payment penalty equal to the amount of \$120,000 in the aggregate or 2% of the principal amount outstanding as a penalty for early payment of the Debentures, such early payment triggered by the accelerated maturity of the Debentures as a result of the completion of the Offering. In addition, the Company also issued special warrants to each Debenture holder entitling them to acquire common share purchase warrants. See “Options and Warrants to Purchase Securities” and “Description of Share Capital”.

OPTIONS AND WARRANTS TO PURCHASE SECURITIES

Options and Warrants

As at March 31, 2007, the Company had issued and outstanding options exercisable for 1,100,587 Common Shares. As part of the capital reorganization more fully described under “Description of Share capital — History of Share Capital”, the number of options was doubled such that there were issued and outstanding options exercisable for 2,201,174 Common Shares. On April 25, 2007 and on June 21, 2007, the Board granted options exercisable for 325,000 additional Common Shares and 55,000 additional Common Shares, respectively, to certain directors, officers and employees of the Company. As at the date hereof, Genesis had outstanding options exercisable to purchase an aggregate of 2,581,174 Common Shares, representing 12% of the issued share capital of Genesis and 8.3% of the issued share capital of Genesis immediately following the closing of the Offering (without giving effect to the exercise of the Over-Allotment Option or the Compensation Option). See “Description of Share Capital — History of Share Capital”.

In connection with the issuance of the Debentures, Genesis also issued to the Debenture holders special warrants to acquire common share purchase warrants of the Company at no additional consideration. These special warrants are the only warrants issued by the Company. The special warrants entitle the Debenture holders to acquire, through the exercise of the underlying common share purchase warrants, the number of common shares equal to \$1,800,000, or 30% of the principal amount of the Debentures outstanding, divided by the exercise price of \$2.15385, determined in accordance with the terms of the common share purchase warrants, for a total of 835,712 Common Shares. Any unexercised common share purchase warrants shall expire on the earlier of (i) a date that is five years from the Closing Date, and (ii) immediately prior to a change of control of the Company. Both of the special warrant holders have given the Company notice of exercise of their special warrants, with effect as of the business day immediately following the business day on which the Company receives a receipt for the final prospectus in connection with this Offering. This prospectus also qualifies the distribution of the common share purchase warrants underlying the special warrants.

The Company established a stock option plan on July 16, 2003, as amended on November 29, 2004 and December 21, 2006, and as amended and restated as of June 21, 2007 (the “Stock Option Plan”). Under the Stock Option Plan, options to purchase Common Shares will be granted by the Board to executive officers, directors, current employees and consultants engaged by Genesis and its subsidiaries. Options granted under the Stock Option Plan will have an exercise price of not less than the volume weighted average trading price of the Common Shares on an applicable stock exchange for the five trading days immediately preceding the day on which the option is granted, provided that the exercise price of an option shall not be less than the minimum exercise price required by the applicable rules of the applicable stock exchange. The options will have a minimum vesting period of at least three years, unless otherwise determined by the Board, and expiry dates of up to 10 years, also as determined by the Board. The maximum aggregate number of Common Shares which may be subject to options under the Stock Option Plan is 10% of the Company’s issued and outstanding Common Shares.

The Stock Option Plan is administered by the Board, which may alter, amend, modify or terminate the Stock Option Plan or any options granted under the Stock Option Plan in its sole discretion. The Stock Option Plan and individual option terms and conditions are subject to adjustment in the event of a reorganization, amalgamation, combination, merger or consolidation or other recapitalization by the Company.

Genesis has issued options pursuant to the Stock Option Plan. See “Management’s Discussion and Analysis — Stock Based Compensation” and “Executive Compensation — Compensation of Directors”.

Genesis has agreed to issue Compensation Options to the Underwriters at the closing of the Offering. See “Plan of Distribution”.

The following chart sets out the number of options to purchase Common Shares issued to the persons identified below as of the date hereof.

	Number of Persons Holding Options	Number of Common Shares under Option	Exercise Price (\$)	Market Value on Date of Grant (\$)	Expiration Dates
Past and Present Executive Officers . . .	3	1,850,174	0.20 to 0.45	0.20 to 0.45	July 2013 to November 2016
Past and Present Directors ⁽¹⁾	4	40,000	2.75	2.75	April 2017
Past and Present Employees of the Company	4	49,000	0.44 to 2.75	0.44 to 2.75	July 2015 to April 2017
Past and Present Employees of Subsidiaries	58	642,000	0.25 to 2.75	0.25 to 2.75	February 2015 to April 2017

(1) Directors who are not included as executive officers.

As of the date hereof, past and present Directors and executive officers of Genesis will hold options to acquire an aggregate of 1,890,174 Common Shares and employees and former employees of Genesis will hold options to acquire an aggregate of 691,000 Common Shares.

Save as described above, there are no acquisition rights or obligations over authorized but unissued capital or an undertaking to increase share capital, nor shares under option or agreed to be put under option.

PRIOR SALES

No Common Shares, or securities convertible into Common Shares (other than upon the exercise of director, officer, employee and consultant options and such options themselves), have been issued by Genesis since December 31, 2003, except as set out in the following table. See also “Description of Share Capital”.

Date	Nature of Transaction	No. of Common Shares⁽³⁾	Gross Proceeds	Exchange Ratio (Series of Preferred Share: Common Share)
November 29, 2004 . . .	Consolidation of Series A Preferred Shares from 18,465,720 Series A Preferred Shares to 4,616,430 Series A Preferred Shares	N/A	N/A	N/A
November 29, 2004 . . .	Consolidation of Series B Preferred Shares from 4,000,000 Series B Preferred Shares to 1,000,000 Series B Preferred Shares	N/A	N/A	N/A
November 29, 2004 . . .	Issuance of 2,739,285 Series C Preferred Shares	N/A	\$11,500,00	N/A
March 2, 2005	Issuance of 1,160,714 Series C Preferred Shares	N/A	\$5,000,000	N/A
December 4, 2006	Issuance of special warrants that are convertible into common share purchase warrants	835,712 ⁽¹⁾	N/A	N/A

<u>Date</u>	<u>Nature of Transaction</u>	<u>No. of Common Shares⁽³⁾</u>	<u>Gross Proceeds</u>	<u>Exchange Ratio (Series of Preferred Share: Common Share)</u>
April 25, 2007	Exchange of Series A Preferred Shares for Common Shares	9,232,860	N/A	1:2
April 25, 2007	Exchange of Series B Preferred Shares for Common Shares	2,000,000	N/A	1:2
April 25, 2007	Exchange of Series C Preferred Shares for Common Shares	9,749,998	N/A	1:2.5
Date of Prospectus . . .	Outstanding ⁽²⁾	20,982,858	\$16,500,000	N/A

Notes:

- (1) In connection with the issuance of the Debentures, special warrants were also issued to the Debenture holders that are exercisable for common share purchase warrants. These special warrants entitle the Debenture holders to acquire, through the exercise of the underlying common share purchase warrants, the number of Common Shares equal to \$1,800,000, or 30% of the principal amount of the Debentures outstanding, divided by the exercise price of \$2.15385, determined in accordance with the terms of the common share purchase warrants, for a total of 835,712 Common Shares. Both the special warrant holders have given the Company notice of exercise of their special warrants, with effect as of the business day immediately following the business day on which the Company receives a receipt for the final prospectus in connection with this Offering. See “Options and Warrants to Purchase Securities”.
- (2) Does not include issuances from the exercise of the common share purchase warrants, the Offering, the Over Allotment Option or the Compensation Option.
- (3) After giving effect to the capital reorganization as more fully described under “Description of Share Capital—History of Share Capital”.

ESCROWED SECURITIES

Pursuant to National Policy 46-201 — *Escrow for Initial Public Offerings* and the policies of the TSX (collectively, the “Escrow Policy”), certain of the Company’s shareholders and optionholders (each a “Securityholder”) entered into an escrow agreement (the “Escrow Agreement”) with the Company and Computershare Trust Company of Canada (the “Escrow Agent”) concurrently with the filing of this prospectus. These Securityholders will deposit their securities upon the completion of the Offering in escrow with the Escrow Agent and while the securities are under escrow, they may not be transferred or otherwise dealt with, except in very limited circumstances. Under the terms of the Escrow Agreement, the Escrow Agent will release one-quarter of each Securityholder’s securities upon the listing of the Common Shares on the TSX, and thereafter the securities will be released in three tranches, with the first tranche, consisting of one-third of the remaining securities, to be released six months following the Closing Date; the second tranche, consisting of one half of the remaining securities, to be released 12 months following the Closing Date; and the third tranche, consisting of the remainder of the securities, to be released 18 months following the Closing Date.

The Escrow Policy applies to directors and senior officers of the Company or any material operating subsidiary who hold 1% or more of the outstanding Common Shares or securities convertible into Common Shares immediately after the Offering and their respective spouses and relatives living at the same address, if applicable, Securityholders holding more than 20% of the outstanding Common Shares immediately before and immediately after the Offering and Securityholders holding more than 10% of the outstanding Common Shares immediately before and immediately after the Offering and who have elected or appointed, or have the right to elect or appoint, one or more directors or senior officers of the Company or a material operating subsidiary.

The following securities are subject to the Escrow Policy:

Name of Securityholder	Number of Common Shares Owned (or under Option)	Percentage of Common Shares Owned (or under Option) before giving effect to the Offering	Percentage of Common Shares Owned (or under Option) after giving effect to the Offering
John Gardner	(750,000)	3.57%	2.42%
Vincent Mifsud	(1,040,174)	4.96%	3.36%
Jetport Inc.	4,878,088	23.2%	15.7%
Englefield House No. 1 Inc.	3,970,125	18.9%	12.8%

Each of the Securityholders named above has also entered into a contractual lock-up agreement with the Underwriters, as described under “Plan of Distribution — Lock-Up Arrangements”.

DESCRIPTION OF SHARE CAPITAL

History of Share Capital

Genesis was incorporated on July 16, 2003 and was authorized to issue an unlimited number of Common Shares and a total of 22,465,720 preferred shares which consisted of 18,465,720 Series A Preferred Shares (“Series A Shares”) and 4,000,000 Series B Preferred Shares (“Series B Shares”). On November 29, 2004, the Articles were amended (i) to consolidate the 18,465,720 Series A Shares into 4,616,430 Series A Shares, (ii) to consolidate the 4,000,000 Series B Shares into 1,000,000 Series B Shares, (iii) to add 3,899,999 Series C Preferred Shares (“Series C Shares”, collectively with Series A Shares and Series B Shares, the “Preferred Shares”) to its authorized share capital, and (iv) to amend the rights, preferences and restrictions attached to the Preferred Shares. As of November 29, 2004, there were 9,516,429 Preferred Shares authorized of which 8,355,715 were issued and outstanding and no Common Shares were issued and outstanding. On March 2, 2005, the Company issued, 1,160,714 Series C Shares to CGC Inc. such that as of March 2, 2005, 3,899,999 Series C Shares and a total of 9,516,429 Preferred Shares were issued and outstanding.

Pursuant to a capital reorganization agreement dated April 23, 2007 (“Capital Reorganization Agreement”), the holders of Series A Shares, Series B Shares and Series C Shares agreed to reorganize the share capital of the Company by exchanging their Series A Shares and Series B Shares for Common Shares, each on a 1 for 2 basis, and their Series C Shares for Common Shares, each on a 1 for 2.50 basis. In addition, the Capital Reorganization Agreement provides for (i) the termination of the Investor Rights Agreement and the Voting Agreement, and (ii) an amendment to the Articles to cancel the Preferred Shares and to create a new class of preferred shares (“New Preferred Shares”) in the share capital of the Company.

There are no shares in the capital of Genesis that do not represent capital and no shares in the capital of Genesis are held by or on behalf of Genesis or any subsidiary.

In connection with the issuance of the Debentures, the Company also issued special warrants to acquire common share purchase warrants. See “Options and Warrants to Purchase Securities”.

Current Share Capital

Genesis is currently authorized to issue an unlimited number of Common Shares and an unlimited number of New Preferred Shares. After the Offering is completed (without giving effect to the exercise of the Over-Allotment Option or the Compensation Option), there will be 30,982,858 Common Shares outstanding. As of the date of this prospectus there are 20,982,858 Common Shares outstanding and no New Preferred Shares issued and outstanding. All Common Shares are fully paid and non-assessable and have no par value. The Offering Shares will be allotted and reserved for issuance pursuant to resolutions of the Board. The Offering Shares have been authorized and will be issued pursuant to the terms of the Articles, the CBCA and a resolution of the Board, pursuant to which the Board authorized, on completion of the Offering, the issuance of the Offering Shares (including any Common Shares to be issued pursuant to the exercise of the Over-Allotment Option and the Compensation Option).

The following description refers only to Genesis' share capital and not to the share capital of the Subsidiaries. Genesis' share capital is authorized under and subject to applicable provisions of the CBCA. Any amendment to Genesis' authorized share capital or any other provision of its Articles is subject to shareholder approval as required by the CBCA.

Common Shares

The holders of Common Shares are entitled to one vote in respect of each Common Share at all meetings of shareholders, except meetings at which only holders of another class of shares are entitled to vote. Generally, under the CBCA, the holders of shares of a class are entitled to vote separately as a class, regardless of whether such class otherwise carries the right to vote, in a number of circumstances, including in respect of proposals to amend the Articles to add, change or remove the rights, privileges, restrictions or conditions attached to the shares of such class or to increase the rights or privileges of any class of shares having rights or privileges equal or superior to the shares of such class. There are no fixed dividend dates or rate of dividend payable on the Common Shares. There are no dividend restrictions or procedures for non-resident holders (see however "Certain Canadian Federal Income Tax Consideration — Shareholders Not Resident in Canada — Dividends on the Common Shares").

Subject to the prior rights of the holders of any other shares ranking senior to the Common Shares in respect of priority in the payment of dividends (of which there are currently none in issue), the holders of Common Shares will be entitled to participate, at the same time, in any dividend, whether in cash, in shares of Genesis or otherwise, which may be declared or paid on any class of such shares such that the holders of the Common Shares will receive, on a per share basis, an equal amount.

In the event of the liquidation, dissolution or winding-up of Genesis, or other distribution of assets of Genesis among its shareholders for the purpose of winding up its affairs, all of the remaining property of Genesis available for distribution to the holders of the Common Shares will, subject to the prior rights of the holders of any shares ranking senior to the Common Shares, be paid or distributed to the holders of the Common Shares on an equal per share basis. There are no rights of pre-emption, redemption or conversion in respect of the Common Shares.

New Preferred Shares

New Preferred Shares are issuable in series. As a class, the holders of New Preferred Shares will have the rights, privileges and restrictions in connection with dividends, voting, liquidation or dissolution of the Company as described below.

The New Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, rank on a parity with the New Preferred Shares of every other series and be entitled to a preference and priority over the Common Shares and over any other shares of the Company ranking junior to the New Preferred Shares.

Subject to the rights, privileges, restrictions and conditions that may be attached to a particular series of New Preferred Shares as determined by the Directors, the holders of a series of New Preferred Shares shall not, as such, be entitled to receive notice of or to attend any meetings of the shareholders of the Company and shall not be entitled to vote at any such meetings (except where holders of a specified class or series of shares are entitled to vote separately as a class or series as provided in the CBCA). The Company may at any time or from time to time purchase for cancellation the whole or any part of the New Preferred Shares outstanding at such time at the lowest price at which, in the opinion of the Directors, such shares are then obtainable provided that such price or prices shall not in any case exceed the redemption price current at the time of purchase for the share of the particular series purchased, plus costs of purchase together with all dividends declared thereon and unpaid.

The Company, subject to any rights attached to any particular series of New Preferred Shares, may, at its option, redeem all or from time to time any part of the outstanding New Preferred Shares on payment to the holders thereof, for each share to be redeemed, of the redemption price per share, together with all dividends

declared thereon and unpaid. A holder of New Preferred Shares shall be entitled to require the Company to redeem at any time and from time to time after the date of issue of any New Preferred Shares, upon giving notice as provided in the Articles, all or any number of the New Preferred Shares registered in the name of such holder on the books of the Company at the redemption price per share, together with all dividends declared thereon and unpaid.

Subject to any rights attached to any particular series of New Preferred Shares as determined by the Directors, the holders of the New Preferred Shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of any other shares, for each New Preferred Share, an amount equal to the redemption price of such share and any dividends declared thereon and unpaid and no more. There are no rights in respect of pre-emption or conversion in respect of the New Preferred Shares.

Articles of Incorporation

The Articles do not place any limitations on the business of the Company. Other than previously described, there have been no amendments to the Articles.

Amendments to Articles of the Company

The Company may by special resolution of its shareholders, amend its Articles to: change any maximum number of shares that the Company is authorized to issue; create new classes of shares; reduce or increase its stated capital, if its stated capital is set out in the Articles; change the designation of all or any of its shares, and add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of its shares, whether issued or unissued; change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series or into the same or a different number of shares of other classes or series; divide or authorize the directors (or revoke, diminish or enlarge such authority) to divide a class of shares, whether issued or unissued, into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof; authorize the directors (or revoke, diminish or enlarge such authority) to change the rights, privileges, restrictions and conditions attached to unissued shares of any series; add, change or remove restrictions on the issue, transfer or ownership of shares; or add, change or remove any other provision that is permitted by the CBCA to be set out in the Articles.

The holders of shares of a class are entitled to vote separately as a class on a proposal to amend the Articles to: effect an exchange, reclassification or cancellation of all or part of the shares of such class; add, change or remove the rights, privileges, restrictions or conditions attached to the shares of such class; increase the rights or privileges of any class of shares having rights or privileges equal or superior to the shares of such class; make any class of shares having rights or privileges inferior to the shares of such class equal or superior to the shares of such class; effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class; or constrain the issue, transfer or ownership of the shares of such class or change or remove such constraint. Additionally, the holders of shares of a class are entitled to vote separately as a class on a proposal to amend the Articles to: increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class; or create a new class of shares equal or superior to the shares of such class. The holders of shares of a series are entitled to vote separately as a series on any of the foregoing proposals if such series is affected by an amendment in a manner different from other shares of the same class.

Shareholder Meetings

Annual meetings of shareholders must be held not later than 15 months after holding the last preceding annual meeting but no later than six months after the end of the Company's preceding financial year. The annual meeting of shareholders is held for the purpose of considering the financial statements and reports required by the CBCA to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting. The Board may call a special meeting of shareholders at any time. Annual or special meetings may be held at the registered office of the Company or elsewhere in Canada or outside of Canada if the Articles so provide.

Under the Company's by-laws, meetings of shareholders require no less than 21 days notice and not more than 50 days. Under the CBCA, the holders of not less than five percent of the issued shares of the Company that carry the right to vote at a meeting sought to be held may requisition the Board to call a meeting of shareholders for the purposes stated in the requisition. If the directors of the Company do not proceed to call a meeting within 21 days from the date they receive the requisition, any shareholder who signed the requisition may call the meeting. The accidental omission to give notice to a shareholder, the non-receipt of a notice by a shareholder or any error in any notice not affecting the substance thereof does not invalidate any action taken at any meeting held pursuant to such notice.

Subject to the CBCA, a question at a meeting of shareholders is decided by a show of hands unless a ballot thereon is required by the chair of the meeting or demanded by any person who is present and entitled to vote on such question at the meeting. Unless a ballot is so demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated, and an entry to that effect in the minutes of the meeting is prima facie proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the question, and the result of the vote so taken is the decision of the shareholders upon the question. In the case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting is entitled to a second or casting vote.

Shareholder Notification of Interests

As a corporation incorporated under the CBCA, the Company is not subject to the provisions of the Disclosure and Transparency Rules (U.K.) of the U.K. Financial Services Authority (the "Disclosure and Transparency Rules") and, consequently, shareholders would not ordinarily be subject to any U.K. requirement to disclose to the Company the level of their interests in Common Shares. However, in line with current best practice for companies incorporated outside the United Kingdom whose shares are admitted to trading on AIM, the Company has elected to incorporate certain provisions of the Disclosure and Transparency Rules and the Companies Act 2006 (U.K.) (the "2006 Act") into the Articles.

The provisions of rule 5 of the Disclosure and Transparency Rules (the "Disclosure and Transparency Provisions") and section 793 of the 2006 Act (the "2006 Act Provisions") are incorporated by reference into the Articles.

The Disclosure and Transparency Provisions detail the circumstances in which a person may be obliged to notify the Company that he has an interest in voting rights in respect of the Common Shares (a "notifiable interest"), or has had a notifiable interest, in Common Shares. An obligation to notify the Company arises: (a) when a person is interested in three per cent (3%) or more of the voting rights attaching to the Common Shares, and (b) where such person's interest alters by a complete integer of one per cent (1%) of the Common Shares.

The 2006 Act Provisions permit the Company to serve a notice on any person where the Company has reasonable cause to believe such person is interested in the Common Shares or has been interested in the Common Shares at any time during the three years immediately preceding the date on which the notice is issued. Such notice may require the person to confirm or deny that he is or was interested in the Common Shares and, if he holds, or has during that time held, any such interest to give such further information as may be required in accordance with the 2006 Act Provisions.

The full text of the Disclosure and Transparency Provisions and the 2006 Act Provisions will be made available to any shareholder free of charge on application to the Company secretary.

While the Disclosure and Transparency Provisions and the 2006 Act Provisions have been incorporated by reference into the Articles, it should be noted that they do not apply directly to the Company and that existing Canadian law does not provide any remedy to the Company for failure of any person to comply with these provisions in the Articles nor, as described above, are there otherwise any statutory obligations on shareholders (other than insider and early warning reporting obligations) to disclose to the Company the level of their interests in Common Shares. As such, the Company's obligations to announce information to the public pursuant to Rule 17 of the AIM Rules for Companies in so far as it relates to the above disclosure requirements may be affected.

Transferability

There are no provisions in the Articles or by-laws restricting the transferability of the Common Shares.

The Common Shares are in registered, book-entry form. The registrar and transfer agent in respect of the Common Shares is Computershare Investor Services Inc., at its principal offices at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Canada. In the United Kingdom, the Common Shares, following the closing of the Offering and Admission, will be capable of being held in uncertificated form, enabled through CREST in the form of CDIs. In the case of Common Shares held in uncertificated form as CDIs, CREST, of 33 Cannon Street, London, ECHM 5SB, will be responsible for keeping the records of its CDIs. See “UK Settlement and Depository Interests”.

PRINCIPAL SHAREHOLDERS

The following table shows the name of each person or company who, at the date of this prospectus and upon the closing of the Offering, owned of record, or, to the knowledge of Genesis, owned beneficially, or are expected to own of record or beneficially, directly or indirectly, more than 10% of the Common Shares.

Name of Principal Shareholder	Type of Ownership	Number of Common Shares Before Giving Effect to the Offering ⁽⁴⁾	Percentage of Common Shares Before Giving Effect to the Offering	Number of Common Shares After Giving Effect to the Offering	Percentage of Common Shares After Giving Effect to the Offering
Zuzum Acquisition Inc	Beneficial ⁽¹⁾	5,537,740	26.4%	5,537,740	17.9%
1186274 Ontario Limited	Beneficial ⁽²⁾	3,695,120	17.6%	3,695,120	11.9%
Jetport Inc	Direct	4,878,088	23.2%	4,878,088	15.7%
Englefield House No. 1 Inc	Direct	3,970,125	18.9%	3,970,125	12.8%
CGC Inc.	Beneficial ⁽³⁾	2,901,785	13.8%	2,901,785	9.4%

(1) 2007129 Ontario Inc. is the registered owner of the Common Shares and a subsidiary of Zuzum Acquisition Inc.

(2) 1186274 Ontario Limited is wholly-owned by Carpenters Local 27 Pension Trust Fund.

(3) CGC Inc. is a subsidiary of United States Gypsum Company.

(4) After giving effect to the capital reorganization described under “Description of Share Capital — History of Share Capital”.

Save as disclosed above, Genesis is not aware of any person who immediately following the closing of the Offering will have, directly or indirectly, an interest in 10% or more of the issued share capital of Genesis or any person who, before or immediately following the closing of the Offering, directly or indirectly, jointly or severally owns or exercises or could exercise control over Genesis.

Genesis is not aware of any arrangement the operation of which may now or at a subsequent date result in a change of control of Genesis.

None of the shareholders above has voting rights that are different than other holders of the same class of shares following completion of the Offering.

DIRECTORS AND OFFICERS

Summary

The Company’s board of directors (the “Board”) consists of the number of directors (“Directors”, and each individually a “Director”) between a minimum of one and a maximum of fifteen, as set forth in the Articles. There are currently six Directors serving on the Board. A Director is not required to hold Common Shares. Subject to the Articles, the by-laws of Genesis and the CBCA (which grants powers to the Directors), the Directors must manage or supervise the management of the business and affairs of Genesis. The Directors may appoint officers of Genesis and may specify their duties.

Genesis intends, following the closing of the Offering, to add an additional independent Director to the Board.

The Directors are entitled to remuneration at the rate decided by them from time to time, provided that such compensation is subject to the advice of the Compensation Committee. See “Executive Compensation — Compensation of Directors”.

The Directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.

In accordance with the Company’s by-laws, at least fifty percent of the Directors must be resident Canadians. Directors may be elected for a term expiring not later than the close of the next annual meeting of shareholders following their election. It is not necessary that all Directors elected at a meeting of shareholders hold office for the same term. The by-laws of the Company and the CBCA do not prescribe a retirement age for the Directors.

The CBCA provides that Directors or officers of Genesis, when exercising the powers and performing the functions of a Director or officer of Genesis, must act honestly and in good faith with a view to the best interests of Genesis, and must exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances, and act in accordance with the CBCA, its regulations and the Articles. If a Director or senior officer of Genesis holds a material interest in a contract or transaction involving Genesis, the Director or officer must disclose his interest prior to the contract or transaction being approved, and the transaction must be approved by the disinterested Directors or by Special Resolution. If the Director or officer does not make such disclosure, or such approval is not obtained, the Director or officer will be liable to account to Genesis for any profit that accrues to the Director or senior officer under or as a result of such contract or transaction. Provided that a Director has declared the nature of his interest in accordance with the CBCA at a meeting of the Board, he or she may be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he or she has any material interest.

Genesis is expected to indemnify each Director against certain liabilities (including, in certain cases, all costs, charges and expenses reasonably incurred by a Director in connection with the defence of a claim against such Director), provided that such Director acted honestly and in good faith with a view to the best interests of Genesis or, in the case of a criminal or administrative proceeding or a proceeding involving a monetary penalty, such Director had reasonable grounds for believing that his or her conduct was lawful.

Genesis has in place key-man term life insurance for its President and Chief Executive Officer, Vincent Mifsud, to provide for 24 hour all peril coverage with Genesis as beneficiary of \$2.5 million of the proceeds. Genesis will evaluate similar policies for its other executives as it deems appropriate and to be in the best interest of the Company.

The following table sets forth the names, ages, municipalities of residence, positions held with Genesis, principal occupations of the Directors and executive officers of Genesis within the past five years, the year in which the person became a Director and the number of Common Shares beneficially owned (or under option), directly or indirectly, or over which control is exercised. The Directors will hold office until the next annual meeting of shareholders of Genesis.

<u>Name and Municipality of Residence</u>	<u>Age</u>	<u>Position with Genesis</u>	<u>Principal Occupation Within the Past 5 Years</u>	<u>Director Since</u>	<u>Number of Common Shares Beneficially Owned (or under Option), Directly or Indirectly or Over Which Control is Exercised⁽⁴⁾</u>
JOHN GARDNER ⁽³⁾ Ancaster, Ontario	53	Executive Chairman and Director	Executive Chairman of Genesis, President and CEO of Sysco Food Services of Toronto	June 2006	(750,000)
VINCENT MIFSUD Oakville, Ontario	39	President, Chief Executive Officer, and Director	President, Chief Executive Officer and Director of Genesis	July 2003	(1,040,174)
PAUL KROETSCH Burlington, Ontario	48	Vice President, Finance, Chief Financial Officer and Secretary	Vice President, Finance, Chief Financial Officer and Secretary of Genesis and Director, Treasury of CFM Corporation	N/A	(60,000)

Name and Municipality of Residence	Age	Position with Genesis	Principal Occupation Within the Past 5 Years	Director Since	Number of Common Shares Beneficially Owned (or under Option), Directly or Indirectly or Over Which Control is Exercised⁽⁴⁾
TIMOTHY J. ARMSTRONG ⁽¹⁾⁽³⁾ Oakville, Ontario	46	Director	Corporate Counsel, Vice-President of Jetport Inc.	August 2006	(10,000) ⁽⁵⁾
RICHARD BLACK ⁽¹⁾⁽²⁾ Toronto, Ontario	38	Director	Venture capitalist RBC Capital Partners, The Walsingham Fund and Englefield House No. 1 Inc.	November 2004	(10,000) ⁽⁵⁾
PAUL D. PHIPPS ⁽³⁾ Farnham Common, U.K	54	Director	Managing Director of Whiteacre Ltd.	April 2007	(10,000) ⁽⁵⁾
RALPH STEEDMAN ⁽¹⁾⁽²⁾ Milton, Ontario	62	Lead Director	President and Chief Executive Officer of Agile Systems Inc., President of Thermo CRS, Drug Discovery Division and President and Chief Executive Officer of CRS Robotics Corporation,	August 2006	(10,000) ⁽⁵⁾

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Governance and Nominating Committee.
- (4) The number of Common Shares under option are identified in brackets.
- (5) Each non-executive Director has been granted options to acquire 10,000 Common Shares. See “Executive Compensation — Compensation of Directors.”

Immediately prior to and following the closing of the Offering, the Directors and executive officers of Genesis, as a group, will not own or control, directly or indirectly any Common Shares.

The following chart sets forth the companies and partnerships (other than Genesis and the Subsidiaries) of which each Director is, or has in the past five years been, a director or partner. Except as described below, no Director is, or has been during the five years preceding the date of this document, a director in a company or a partner in a partnership.

Director	Past Directorships and Partnerships	Current Directorships and Partnerships
John Gardner	N/A	Advanced Glazings Limited
Vincent Mifsud	Advanced Glazings Limited	Brainy Yack Internet Solutions Inc.
Richard Black	Open Text Inc. Architel Systems Syndesis Limited CRS Robotics Corporation Logic Vision Inc. Agile Systems Inc. Aligo Inc. Algorithmics Inc. Analog Design Automation Inc. e-Success Inc.	Atrion International Inc. ListenUp Canada Inc. Advanced Glazings Limited NuFlow Holdings Inc. Englefield House No. 1 Inc.
Timothy J. Armstrong	N/A	Vista Broadcast Group Inc.

<u>Director</u>	<u>Past Directorships and Partnerships</u>	<u>Current Directorships and Partnerships</u>
Paul D. Phipps	Annington Wates (Cove) Limited Steadfast Management Ltd. Wates (Mitchells) Ltd. 10 St. Bride Street Ltd. Berkshire Land Ltd. Brooks and Rivers Ltd. Cavendish Wates Fourth Ltd. Cavendish Wates Guaranteed Ltd. Stageselect Ltd. Subdale Properties Ltd. The West Burgess Hill Company Ltd. Third Wates Investments Ltd. Wates Amenity Lands Ltd. Wates Built Homes Ltd. Wates Built Homes (Blakes) Ltd. Wates Built Homes (London) Ltd. Wates Built Homes (Retirement) Ltd. Wates Built Homes (Southern) Ltd. Wates Construction Ltd. Wates Group Properties Ltd. Wates Group Services Ltd. Wates Homes Ltd. Wates Homes (Cambridge) Ltd. Wates Homes (Farnham Common) Ltd. Wates Homes (Downham) Ltd. Wates Interiors Ltd. Wates Lancewood Estates Ltd. Wates Second Land Ltd. Wates Homes (Bracknell) Ltd. Wates Regeneration (Coventry) Ltd. Wates Regeneration (South Acton) Ltd. Westcity (QEC) Ltd. Westcity Wates (Kensington) Ltd. Westcity Wates (Paddington) Ltd. Westcity Wates Property Development Ltd. Woodside Lands Estates Ltd. Woodside Lands Ltd. Woodside Lands Management Ltd.	Whiteacre Ltd. Ice Energy Ltd.
Ralph Steedman	CRS Robotics Corporation	Agile Systems Inc. Cancapleo Group Inc. Glancaster Meadows Limited

Biographies of Directors and Officers

John Gardner, Executive Chairman and Director

Mr. Gardner joined Genesis in June 2006 as Executive Chairman. He has 20 years of executive management experience with a number of large public corporations having served as President and Chief Executive Officer of Sysco Food Services of Toronto and President of Lumsden Brothers Ltd., a subsidiary of Sobeys Inc. During his career, Mr. Gardner has led organizations with sales of over \$800 million annually and has achieved annual double-digit sales growth. Mr. Gardner brings to the organizations specific expertise in supply chain management as well as managing franchised operations. Mr. Gardner is a Chartered Accountant and holds a Fellowship from the Institute of Chartered Accountants of Newfoundland. He also has a Masters of Business Administration from Memorial University of Newfoundland.

Vincent Mifsud, President and Chief Executive Officer and Director

Mr. Mifsud joined the Company in November of 2001, and initiated the creation and innovation of the Genesis Solution. Mr. Mifsud has been instrumental in developing the initial operations of the Genesis business, as well as expanding and growing the business and its team. Mr. Mifsud was previously Chief Operating Officer of two enterprise software companies, Pivotal Corporation Inc. and Rand A Technology Corporation. During his time at Rand the company grew within five years from a private company with \$30 million in revenue to a public company with over \$300 million in revenue. Pivotal also expanded during Mr. Mifsud's tenure and was selected as the fastest growing technology company in Canada in 2000 by Deloitte and Touche LLP. Mr. Mifsud is a Chartered Accountant and has a Bachelor of Commerce degree from the University of Toronto.

In addition to Mr. Gardner and Mr. Mifsud, the following are the Directors and executive officers of the Company:

Paul Kroetsch, Vice President, Finance, Chief Financial Officer and Secretary

Prior to joining Genesis in August 2006, Mr. Kroetsch held various senior level positions in banking, insurance and manufacturing industries. Mr. Kroetsch has over 20 years experience in senior level corporate finance, sales, operations and change management. His background includes senior roles with Continental Illinois Bank (Canada), Bank of Boston (Canada) and Bank of Nova Scotia. Mr. Kroetsch also held a treasury position with Lawson Mardon Group, a large Canadian multinational packaging company and CFM Corporation. Mr. Kroetsch also sold cash management products at a large bank to Fortune 500 corporate clients throughout North America. He is a Certified Management Accountant and has undergraduate degrees in Economics and Finance.

Timothy James Armstrong, Non-Executive Director

Mr. Armstrong was born in Australia and educated at the University of Western Australia where he received his Bachelor of Arts (Hons) and at Sydney University where he received his LLB. He emigrated to Canada in 1987 and completed further legal studies at Queen's University and was called to the Ontario Bar in 1993. After his call to the Bar, Mr. Armstrong worked in private practice primarily in the areas of corporate law and taxation. Since 1997, Mr. Armstrong has worked for Jetport Inc. as the company's Corporate Counsel and its Vice President since 2001. Jetport is owned by Ron Joyce, the co-founder of Tim Hortons, and is a private company with significant real estate, aviation and other private and public investment interests.

Richard Black, Non-Executive Director

Mr. Black is a venture capitalist with 16 years of experience in senior roles with Helix Investments (Canada) Inc., RBC Capital Partners Inc. and The Walsingham Fund. Mr. Black joined Helix Investments in 1991 and focused on acquiring significant equity interests in emerging private companies. Over the course of the next seven years, Mr. Black led investments in companies including: Open Text Corporation, Architel Systems Inc., LogicVision Inc., CRS Robotics Corporation and Syndesis Limited. In 2001, Mr. Black joined RBC Capital Partners to lead its technology investments team. In 2004, Mr. Black founded The Walsingham Fund, which provides expansion and growth capital to companies. The Walsingham Fund currently has six portfolio investments. Mr. Black graduated on the Dean's List with an HBA from the Richard Ivey School of Business.

Paul D. Phipps, Non-Executive Director

Mr. Phipps has over 35 years' experience in land and planning matters, and housing and land development in various geographic markets including the United Kingdom, the United States, Canada, Australia and Spain. He has worked in senior management positions at Taylor Woodrow, Alfred McAlpine Homes and the Wates Group and currently is the managing director of Whiteacre Ltd., a private company which focuses on land development, housing and also provides consulting services.

Ralph Steedman, Non-Executive Director and Lead Independent Director

Mr. Steedman has had experience in a variety of industrial companies including printing, packaging, hospital supplies, water purification, computer product, networking software and life science. A financial executive by training, Mr. Steedman is a graduate of McMaster University and has a masters degree in Business from York University. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario. Mr. Steedman is President and Chief Executive Officer of Agile Systems Inc., a company involved in the design, development and manufacturing of advanced motion control technology. He has held a number of senior operating roles including COO of a rigid plastics and metals group, President of a business forms company, President of a public water purification organization and CEO of CRS Robotics Corporation, a public robotic instrumentation company. His key competence is in strategically realigning companies to increase shareholder value by raising investment capital, introducing new products, restructuring the organization and introducing new operating systems.

Except as otherwise disclosed, none of the Directors (nor any related party for the purposes of the AIM Rules) has any interest, whether beneficial or non-beneficial, in the share capital of Genesis and except as otherwise disclosed, none of the Directors nor members of their families (as such expression is defined in the AIM Rules) has a related financial product referenced to the Common Shares.

Committees of the Board

The Board presently consists of four non-executive Directors and two executive Directors. The Company intends to add an independent non-executive Director to the Board after the completion of the Offering. The Board has established the Audit Committee, the Compensation Committee and the Governance and Nominating Committee, each of which will have the duties and responsibilities delegated by the Board. The Directors appoint the members of the committees. Genesis has adopted a TSX and AIM compliant insider trading policy in respect of the Directors, senior officers and certain employees and consultants of Genesis, along with certain of their related parties.

Audit Committee

The Audit Committee currently consists of three Directors, all of whom are independent and financially literate, in each case within the meaning of the Canadian securities rules applicable to audit committees. Ralph Steedman is the Chair of the Audit Committee.

The Audit Committee is responsible for the oversight and supervision of:

- the accounting and financial reporting practices and procedures of Genesis;
- the adequacy of the internal accounting controls and procedures of Genesis; and
- the quality and integrity of the consolidated financial statements of Genesis.

In addition, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the external auditor, as well as the pre-approval of all non-audit services provided by the external auditor, and for directing the auditor's examination into specific areas of the business of Genesis.

The Audit Committee has a written charter and established procedures to deal with complaints regarding accounting, internal accounting controls or auditing matters. The Board has adopted a whistleblower policy to deal with confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

Compensation Committee

The Compensation Committee consists of two Directors, both of whom are independent. The Chair of the Compensation Committee is Richard Black. The Compensation Committee, in accordance with its written charter, reviews and makes recommendations to the Board concerning the appointment, remuneration and benefits and performance of executive management and Directors and establishes a plan of continuity for executives and other key employees.

Governance and Nominating Committee

The Governance and Nominating Committee consists of three Directors, two of whom are independent. The Chair of the Governance and Nominating Committee is Timothy Armstrong. Genesis expects to appoint the additional independent member of the Board to the Governance and Nominating Committee. The role of the Governance and Nominating Committee, in accordance with its written charter, is to provide a focus on corporate governance that will enhance corporate performance and to assess and make recommendations regarding Board effectiveness.

The role of the Governance and Nominating Committee is:

- to develop and monitor the Company's overall approach to corporate governance issues;
- to recommend individuals to the Board for nomination as members of the Board and its committees (other than the Governance and Nominating Committee); and
- to undertake such other duties as the Board may delegate from time to time.

Corporate Cease Trade Orders and Bankruptcies

Except as disclosed, none of the Directors or officers of Genesis is, or has been within the ten years before the date of this prospectus, a Director or officer of any other company that, while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied such company access to any statutory exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

Markham General Insurance, of which Mr. Kroetsch was an officer until October 1999, was deemed to be insolvent and ordered to be wound up on July 24, 2002 by the Superintendent of Insurance of Ontario.

CFM Corporation, of which Mr. Kroetsch was an officer, and all of its directors and officers were issued a cease trade order by the Ontario Securities Commission for failing to file its financial statements within the applicable time period in March 2005. CFM Corporation was subsequently taken private in 2005.

Except as otherwise disclosed, none of the Directors or officers of Genesis has been a director of any other company or partner in any partnership at the time of, or within the 12 months preceding the date that such company or partnership entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement, partnership voluntary arrangement or composition or arrangement with its creditors generally, or any class of creditors, nor had any assets belonging to him placed into receivership or been the partner in a partnership, any of whose assets have been placed into receivership while he was a partner or within 12 months of such receivership.

Penalties and Sanctions

Except as set forth above, none of the Directors or officers of Genesis has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Except as set forth above, none of the Directors has been publicly criticized by any statutory or regulatory authority (including recognised professional bodies), nor been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

Personal Bankruptcies

None of the Directors or officers of Genesis, or a personal holding company of any such person, has been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or

instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or officer.

Other Offences and Criticisms

No Director or officer of Genesis has any unspent convictions in relation to indictable offences or has been the subject of public criticism by any statutory or regulatory authority (including recognized professional bodies), or has ever been disqualified by a court from acting as a director of a company or acting in the management or conduct of affairs of a company.

CORPORATE GOVERNANCE

The Canadian Securities Administrators have established corporate governance guidelines. The presentation in this section is in accordance with Form 58-101F1 of National Instrument 58-101 — Disclosure of Corporate Governance Practices which discusses the Company's corporate governance practices as compared with such guidelines. Save as set out below, the Company complies with such guidelines.

The Company also intends to comply, in so far as practicable given the nature and size of the Company, with the guidelines issued by the Quoted Companies Alliance for the corporate governance of companies that have shares admitted to AIM.

Board of Directors

Three of the Board's six current Directors are independent. Messrs. Gardner and Mifsud are not independent, as they are executive officers of the Company, and Mr. Phipps is expected to be engaged to provide strategic advice on the European construction market pursuant to which he will receive an annual stipend of £10,000 from the Company in addition to his directors' fees (and as such, he may not be considered independent within the meaning of applicable securities law). Except as disclosed in this prospectus, no Director is currently a director of any other reporting issuer or public company. The independent Directors do not hold separate regularly scheduled meetings at which the non-independent Directors are not in attendance. As required, the independent Directors ask that non-independent Directors excuse themselves from meetings when appropriate. The Board believes that this ad hoc procedure is appropriate given the size of the Company.

For the financial year ended December 31, 2006, the Board met eight times and a majority of the meetings involved seven Directors. All meetings of the Board were held in person except for certain Directors who participated by phone. No meetings in 2006 had full attendance by all Directors, at most, two Directors were absent.

Board Mandate

The Board does not have a written mandate. The Board is responsible for the management or supervision of the management of the Company's business and affairs. Under its governing statute, the CBCA, the Board is required to carry out its duties with a view to the best interests of the Company. The Board recognizes its mandate in the following areas: (i) reviewing the Company's strategic and operating plans; (ii) reviewing significant operational and financial matters; and (iii) reviewing corporate objectives and goals applicable to the senior management personnel of the Company.

Position Descriptions

The Board has not developed written position descriptions for the Chairman or the chair of each board committee. The roles and responsibilities of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee are set out in their respective written charters. The Board believes that the charters of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee adequately delineate the roles and responsibilities of the chairs of those committees, respectively. The Board does not currently have, but expects the Governance and Nominating Committee to develop, written position descriptions for the Executive Chairman and the President and Chief Executive Officer. See also "Directors and Officers — Committees of the Board."

Orientation and Continuing Education

The Board does not have a formal orientation program for new Directors, and does not have any formal continuing education for its members. However, the Company provides new Board members with relevant business and corporate information and makes presentations regarding the status of the business periodically to all Board members.

Ethical Business Conduct

The Board has not adopted a written code of business conduct and ethics for its Directors, officers and employees. The Board intends to review whether or not to adopt such a code.

Nomination of Directors

The Board has delegated to the Governance and Nominating Committee the mandate to identify new candidates for nomination. As required, the Board works with management to identify potential candidates and to consider their appropriateness for appointment to the Board. The Board has determined that the Nominating and Governance Committee is capable of proposing new nominees.

The Board does not conduct regular assessments of Directors and committees but expects to conduct such assessments when necessary, as determined by the Board as a whole.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of the compensation of the Executive Chairman, the President and Chief Executive Officer, the Vice-President, Finance, Chief Financial Officer and Secretary and the three most highly compensated individuals who served as executive officers of Genesis at the end of 2006 and whose total salary and bonus exceeded \$150,000 for the year ended December 31, 2006 (collectively, the “Named Executive Officers”).

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary	Bonus	Other Annual Compensation	Securities Under Options Granted	Shares Subject to Resale Restrictions	All Other Compensation
JOHN GARDNER, Executive Chairman ⁽¹⁾	2006	\$152,704	—	\$ 17,320	750,000	—	—
VINCENT MIFSUD, President and CEO . . .	2006	\$300,000	—	\$ 59,924	—	—	—
PAUL KROETSCH, VP Finance, CFO and Secretary ⁽²⁾	2006	\$ 49,252	—	\$ 213	60,000	—	—
ANTHONY RZEPKA, Former CFO ⁽³⁾	2006	\$151,538	—	\$100,000	—	—	—

(1) Mr. Gardner’s employment with the Company is effective as of June 19, 2006.

(2) Mr. Kroetsch’s employment with the Company is effective as of August 28, 2006.

(3) Mr. Rzepka’s employment with the Company ended on August 23, 2006. The “Other Annual Compensation” amount represents the severance payment made upon termination of his employment.

Option Grants During the Most Recently Completed Financial Year

The following table sets out information concerning options granted during the year ended December 31, 2006 to Named Executive Officers.

Name	Common Shares Under Options Granted	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on Date of Grant (\$/Security)	Expiration Date
John Gardner	750,000	80.6%	0.40	0.40	June 19, 2016
Vincent Mifsud . . .	nil	N/A	N/A	N/A	N/A
Paul Kroetsch	60,000	6.4%	0.45	0.45	November 15, 2016

Employment Agreements

The material terms of the employment arrangements between Genesis and each of the Named Executive Officers and other members of senior management are summarized below.

John Gardner – Mr. Gardner entered into a new employment agreement with the Company effective April 25, 2007, pursuant to which Mr. Gardner is employed as Executive Chairman. Mr. Gardner's employment agreement can be terminated by the Board at any time with cause (as defined in the employment agreement). If employment is terminated with cause, Mr. Gardner shall only be entitled to salary earned to the date of termination, accrued vacation pay and expense reimbursements. The Board may also terminate Mr. Gardner's employment without cause, in which case Mr. Gardner would, in addition to accrued vacation pay and expenses reimbursements, be entitled to an amount equal to 12 months' salary, a pro rata bonus payment payable at the discretion of the Board and continued participation in the Company's benefit plans until the earlier of 12 months from the date of termination and the date alternative employment is obtained. Pursuant to his employment agreement, Mr. Gardner was required to enter into a non-solicitation and non-competition agreement with the Company. Mr. Gardner has a current salary for 2007 of \$305,000 plus bonus, if any, to be determined at the discretion of the Board. He is also provided with an annual \$20,000 reimbursement for a golf club membership and the use of a Company vehicle. In addition, he is to receive monthly contributions of \$1,500 from the Company to his individual registered retirement savings plan.

Vincent Mifsud – Mr. Mifsud entered into a new employment agreement with the Company effective April 25, 2007, pursuant to which he is employed as President and Chief Executive Officer. Mr. Mifsud's employment can be terminated by the Board at any time with cause (as defined in the employment agreement). If employment is terminated with cause, Mr. Mifsud shall be entitled to salary earned to the date of termination, accrued vacation pay and expense reimbursements. The Board may also terminate Mr. Mifsud's employment without cause, in which case Mr. Mifsud would, in addition to accrued vacation pay and expenses reimbursements, be entitled to an amount equal to 12 months' salary, a pro rata bonus payment payable at the discretion of the Board and continued participation in the Company's benefit plans until the earlier of 12 months from the date of termination and the date alternative employment is obtained. Pursuant to his employment agreement, Mr. Mifsud was required to enter into a non-solicitation and non-competition agreement with the Company. Mr. Mifsud has a current salary for 2007 of \$325,000 plus bonus, if any, to be determined at the discretion of the Board and is provided with the use of a Company vehicle. In addition, he is to receive monthly contributions of \$1,500 from the Company to his individual registered retirement savings plan. In addition, he is to receive upon completion of the Offering a one-time payment of approximately \$32,000 for accrued vacation pay.

Paul Kroetsch – Mr. Kroetsch entered into an employment agreement with the Company effective August 28, 2006, pursuant to which Mr. Kroetsch is employed as Vice President, Finance, Chief Financial Officer and Secretary. Mr. Kroetsch's employment agreement can be terminated by the Board at any time for just cause. If Mr. Kroetsch is terminated by the Board without cause, Mr. Kroetsch is entitled to receive base salary for six months, health benefits (excluding long-term disability), plus one month's salary per year of service up to 24 months. Pursuant to his employment agreement, Mr. Kroetsch was required to enter into a non-solicitation and non-competition agreement with the Company. Mr. Kroetsch's current salary is \$150,000.

Compensation of Directors

Directors who are also executives of Genesis are not currently entitled to any compensation for attending meetings of the Board, meetings of committees of the Board or meetings of shareholders. Non-executive Directors are paid an annual retainer of \$17,500. Each committee chairman will receive an additional annual fee of \$2,500 for acting in such capacity. In addition, Ralph Steedman shall receive an additional amount of \$10,000 per annum for acting as lead independent director of the Company. Each non-executive Director has been granted 10,000 options to purchase Common Shares at the exercise price of \$2.75, with a maximum of 25% per annum vesting on each anniversary of the grant date. Such options shall expire in April 2017. Directors are reimbursed for any out-of pocket travel expenses incurred in order to attend meetings. Paul Phipps will receive an additional £10,000 per annum to provide strategic advice on the European construction market.

Save as described above, there are no service agreements or letters of appointment existing between any of the Directors and Genesis.

Indebtedness of Directors and Executive Officers

As of the date of this prospectus, there is no outstanding indebtedness of any Director or executive officer, or of any person who was a Director or executive officer or of any of their associates, to the Company or its Subsidiaries.

PLAN OF DISTRIBUTION

Underwriting

Pursuant to an underwriting agreement dated June 25, 2007 (the “Underwriting Agreement”) between Genesis, the Directors and Canaccord Capital Corporation (“Canaccord”), CIBC World Markets Inc. and TD Securities Inc. (collectively, the “Underwriters”), Genesis has agreed to issue and sell and the Underwriters have severally agreed to purchase, as principals, on the Closing Date, 10,000,000 Common Shares, subject to the terms and conditions stated therein, at a price of \$2.00 (£0.94) per Common Share for an aggregate price of \$20,000,000 (£9,400,000) payable in cash against delivery of certificates representing such Common Shares, including a book entry certificate issued in registered form to The Canadian Depository for Securities Limited (“CDS”) or its nominee and subject to CREST settlement procedures. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated in certain stated circumstances and upon the occurrence of certain stated events.

In consideration for their services in connection with this Offering, Genesis has agreed to pay the Underwriters an aggregate fee of \$1,200,000, or \$0.12 per Common Share. In addition, Genesis has agreed to grant to the Underwriters an option (the “Compensation Option”) entitling the Underwriters to acquire from Genesis at the Offering price, a number of Common Shares equal to 5% of the number of Common Shares sold in the Offering, exercisable for a period of 12 months from the completion of the Offering. This prospectus also qualifies the distribution of the Compensation Option. The offering price of the Common Shares has been determined by negotiation between Genesis and the Underwriters. Pursuant to the Underwriting Agreement, Genesis has agreed to indemnify the Underwriters and their affiliates, directors, officers and employees against certain liabilities, including, without limitation, certain civil liabilities under applicable securities legislation. In addition, each of the Company and the Directors have provided certain representations and warranties to the Underwriters. The liability of the Directors under the Underwriting Agreement is subject to certain limitations as set out in the Underwriting Agreement. In addition to the fee described above, the Company has agreed to pay Canaccord, or an affiliate of Canaccord, a corporate finance fee for acting as financial advisor of £125,000 on the closing of the Offering.

Pursuant to the rules of certain of the Canadian securities regulatory authorities, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the

Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

With respect to the United Kingdom, this document is only being and may only be distributed to and directed at (i) persons outside the United Kingdom or (ii) persons in the United Kingdom who are (a) a “Qualified investor” within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 of the United Kingdom as amended from time to time (“FSMA”) and (b) within the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 of the United Kingdom. (“Financial Promotions Order”) (all such persons together being referred to as “relevant persons”). The Common Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Common Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Accordingly, this document has not been approved as a prospectus by the U.K. Financial Services Authority (“FSA”) under Section 87A of the FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules nor has it been approved by a person authorized under FSMA.

Each Underwriter has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Common Shares or communicated any invitation or inducement in that regard to persons in the United Kingdom in contravention of Section 21(1) of the FSMA or the Financial Promotions Order or in circumstances which would require the production of an approved prospectus pursuant to Section 85(1) of the FSMA; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Common Shares in, from or otherwise involving the United Kingdom.

Except as disclosed in this prospectus, no person (other than the professional advisors named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of this prospectus, nor entered into any contractual arrangements (not otherwise disclosed in this prospectus) to receive, directly or indirectly, from the Company on or after the closing of this Offering, fees totalling £10,000 or more, securities of the Company with a value of £10,000 or more calculated by reference to the price of Common Shares under this Offering, or any other benefit with a value of £10,000 or more at the date of Admission.

Genesis and the Directors entered into a nominated adviser and broker agreement with Canaccord Adams Limited dated June 25, 2007 (the “NOMAD Agreement”) pursuant to which Canaccord Adams Limited agreed, conditional upon Admission, to act as nominated adviser and broker to Genesis and, *inter alia*, provide the services in connection therewith pursuant to the AIM Rules. Genesis agreed to pay an annual fee of £50,000 plus VAT per annum payable half yearly in advance and out of pocket expenses with effect from Admission. The agreement is terminable by either party at any time on three months’ notice after the first anniversary of Admission and contains certain representations and undertakings by Genesis and the Directors and an indemnity by Genesis.

The Common Shares offered hereby have not been and will not be registered under the US Securities Act or any state securities laws. Accordingly, the Common Shares may not be offered or sold within the United States except in transactions exempt from the registration requirements of the US Securities Act and applicable state securities laws. The Underwriting Agreement, however, permits the Underwriters to re-offer and resell the Common Shares to certain qualified buyers in the United States in accordance with Rule 144A under the US Securities Act. The Common Shares will be restricted securities within the meaning of Rule 144(a)(3) of the US Securities Act. The Underwriting Agreement also permits the Company to offer and sell the Common Shares to institutional accredited investors on a substituted purchaser basis in accordance with Regulation D under the US Securities Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and resell the Common Shares outside the United States only in accordance with Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, any offer or sale of the Common Shares offered hereby within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

Genesis has applied to list its Common Shares on the TSX and for its Common Shares to be admitted to trading on AIM. Listing and admission will be subject to Genesis fulfilling the listing requirements of the TSX and the admission requirements of AIM, respectively.

Over-Allotment Option

In order to cover any over-allotments, the Underwriters have been granted an option to purchase from Genesis an aggregate of up to that number of additional Common Shares as is equal to 15% of the aggregate number of Common Shares sold pursuant to this Offering (the "Over-Allotment Option"). The Underwriters may exercise the Over-Allotment Option in whole or in part on or before 12:00 p.m. (Toronto time) on the 30th day following the closing of this Offering to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the additional Common Shares will be purchased by the Underwriters at the Offering price hereunder and the Underwriters will be entitled to a fee of \$0.12 per share in respect of each share purchased. This prospectus also qualifies for distribution the Over-Allotment Option and any Common Shares that are sold pursuant to the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the price to the public, Underwriters' fee and net proceeds to Genesis with respect to the total Offering will be \$23,000,000, \$1,380,000 and \$21,620,000, respectively.

In connection with this Offering, Canaccord, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the Common Shares at a level higher than that which might otherwise prevail in the open market. Canaccord is not required to enter into such transactions and such transactions may be effected on any stock market, over the counter market or otherwise. Such stabilizing measures, if commenced, may be discontinued at any time and may only be taken within 30 days of closing. Save as required by law or regulation, neither Canaccord nor any of its agents intends to disclose the extent of any over-allotments and/or stabilizing transactions under this Offering.

Lock-Up Arrangements

Certain officers, Directors and shareholders of Genesis (a "Lock-up Party"), holding an aggregate of 20,982,858 Common Shares and 1,890,174 options to acquire 1,890,174 Common Shares, have entered into a lock-up agreement with Canaccord and Genesis pursuant to which each holder has agreed not to directly or indirectly, sell, transfer, grant any option over or otherwise dispose of, or enter into any agreement to do the same, the legal or beneficial ownership of any Common Shares, options or any other interest in the Common Shares for a period of 12 months following Admission. Notwithstanding the foregoing, each Lock-up Party may transfer its Common Shares or options, as applicable, pursuant to (i) a bona fide takeover bid or any merger, amalgamation, plan of arrangement or similar transaction that would result in the holders of Common Shares outstanding immediately before the effective time of such transaction owning less than 50% of the Common Shares outstanding immediately after such effective time; (ii) a court order; (iii) a plan, compromise or other arrangement between the Company and its securityholders or any class of them pursuant to applicable bankruptcy, insolvency or similar law; (iv) any disposal where Canaccord, in its sole discretion but acting reasonably, has determined that the level of demand for and liquidity in the Common Shares trading on the TSX and AIM is such that the foregoing restrictions are no longer required; (v) any disposal of Common Shares or the related depositary receipts acquired over the facilities of the TSX or AIM after the Admission; (vi) any disposal pursuant to a specific request from Canaccord to meet market demand; or (vii) any disposal to certain related or affiliated parties provided that such party abide by the terms of these lock-up agreements. These lock-up agreements further provide that in the period commencing on the first anniversary of Admission until the second anniversary thereof, such holders of Common Shares will be required to undertake any sales of Common Shares through one of the Underwriters in such orderly manner as such Underwriters shall reasonably require, with a view to maintenance of an orderly market in the Common Shares, provided that each Underwriter shall ensure that any fees of such Underwriter in respect of any such disposals are generally competitive with the terms available from other brokers in the market. The lock-up agreement shall terminate and cease to have any effect if the Admission has not become effective in accordance with the AIM Rules on or before September 30, 2007.

RISK FACTORS

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. Any of the matters highlighted in these risk factors could have a material adverse effect on Genesis' results of operations, business prospects or financial condition.

Risk Factors Related to the Business

Reliance on licensing in the Company's business model.

The Company's business model is focused on licensing, in whole or in part, the Genesis Solution. Although Genesis expects its licensing activities to generate an increasing proportion of its revenue, there is no assurance that this business model will succeed. Several factors, including market acceptance of the Genesis Solution, successful marketing initiatives to increase the number of licensees, success of licensees in their local markets, protection of the Company's intellectual property and continued refinement of the Genesis Solution will all have an impact on whether this business model will be successful. The Company has historically relied on the sale of its structural products, through KML, for a significant portion of its annual revenues. Failure of the Company's licensing activities in its business model may materially adversely impact the Company's revenue, financial condition and results of operations.

Reliance on licensees.

Historically the Company's revenues have been generated through the construction of light steel building structures in the Greater Toronto Area. As the Company expects that a growing proportion of its revenues will be generated through its relationships and arrangements with existing or future licensees of the Genesis Solution, it will be increasingly dependent upon its ability to establish and develop new relationships (including the vetting of potential licensees from a creditworthiness, reputational and reliability perspective) and to build on existing relationships with licensees. There can be no guarantee that the Company will be successful in advancing relationships with licensees or that licensees will always act in a manner that will promote the success of the Company's products and services. Failure by existing or future licensees to secure appropriate financing or to promote and support the Company's products and services could materially adversely affect the ability of the Company to generate revenues, the results of its operations and its overall financial condition.

In the event that a licensee with whom the Company has a significant relationship fails to pay any fees owing, fails to obtain financing, or files a petition in or is assigned into bankruptcy or becomes insolvent, or makes an assignment for the benefit of creditors or makes any arrangements or otherwise becomes subject to any proceedings under applicable bankruptcy laws or insolvency laws with a trustee, or a receiver is appointed in respect of a substantial portion of its property, or such a third party liquidates or winds up its daily operations for any reason whatsoever, then the Company's business, financial position and results of operations may be materially and adversely affected.

Enforcement of the Company's rights under the license arrangements.

Certain of the existing, and likely future, licensing and services arrangements are and will be with foreign entities and are governed by the laws of foreign jurisdictions. If a licensee breaches a licensing and services arrangement, then the Company will incur additional costs in determining its rights and obligations under the arrangement under applicable foreign laws and attempting to enforce the arrangement in a foreign jurisdiction. Some of the jurisdictions to which such arrangements are subject may not have sophisticated and/or impartial legal systems and the Company may face practical difficulties in enforcing any of its rights in such jurisdictions. The Company may not be able to enforce such rights or may determine that it would be too costly to enforce such rights. In addition, certain of the licensing and services arrangements may contain arbitration provisions that govern disputes under the arrangements and there may be uncertainty as to the enforceability of such arbitration provisions under the laws of related foreign jurisdictions. If a dispute were to arise under such an arrangement and the related arbitration provision was not effective, then Genesis would be exposed potentially to additional costs of settling the dispute in foreign courts rather than through an arbitration process.

Reliance on key intellectual property.

The Company's success depends in part on its ability to protect its rights in its intellectual property. Genesis relies upon various forms of intellectual property protection, including patents, copyright, trademarks and contractual provisions to preserve its intellectual property rights. Despite these protections, it may be possible for third parties to obtain and use the Company's intellectual property without authorization. Policing unauthorised use of intellectual property is difficult and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada, the United Kingdom or the United States. In addition, effective patent protection may not be available in some countries in which the Company's products are sold.

To protect the Company's intellectual property, Genesis may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of business or materially adversely affect the Company's revenue, financial condition and results of operations.

Genesis is dependent on the license granted by BJI for patents owned by BJI, in connection with technology used for the Company's i-SPAN products. This license covers the Canadian and US markets only. Accordingly, BJI may license its technology to competitors of the Company, or may itself compete with the Company, in other markets, which may have a material adverse affect on the Company. Termination of this license by BJI can occur with 10 days' notice upon failure of Genesis to make applicable payments. Such a termination would materially adversely affect the Company's ability to offer its i-SPAN products.

Genesis also licenses certain software from Autodesk, which is integrated in certain of the Company's software products. Such license may be terminated by Autodesk on 90 days' prior written notice as of September 2007, or immediately by Autodesk if any material breach is not cured within 30 days' notice or if there is any material deviation from the intended use of the licensed software. While management anticipates that alternative supply arrangements could be made, such termination could adversely affect the ability of the Company to offer its software products.

Possible third party intellectual property rights claims.

As the Company is involved in the development of technology and software, it has filed a number of patents, including for the CTP industrial process, which may or may not be granted and may be subject to allegations of infringement or other violations of third party intellectual property rights. These third party intellectual property claims, whether having merit or otherwise, could be time consuming and expensive to litigate or settle and could divert management resources and attention. In addition, the Company's agreements with licensees provide an indemnity for certain third party intellectual property infringement claims, which could increase costs as a result of defending such claims and may require payment of the licensees' damages if there were an adverse ruling in any such claims.

If litigation is successfully brought by a third party against the Company in respect of intellectual property, Genesis may be required to cease manufacturing, distributing or marketing certain products or services, obtain licenses from the holders of the intellectual property at material cost, redesign affected products or processes in such a way as to avoid infringing intellectual property rights or seek alternative licenses from other third parties, any or all of which could materially adversely affect the Company's business, financial condition and results of operations. If those intellectual property rights are held by a competitor, Genesis may be unable to obtain the intellectual property at any price, which could also adversely affect its competitive position. An adverse determination could also prevent the Company from offering its services and could require procurement of substitute products or services. Any of these results could harm the Company's business, financial condition and results of operations.

Infringement on the intellectual property rights of others.

While the Company believes that its products and other intellectual property do not infringe upon the proprietary rights of third parties, the Company's commercial success depends, in part, upon the Company not infringing intellectual property rights owned by others. The Company cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require it to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its

technology infringes their intellectual property rights due to the growth of products in the Company's target markets, the overlap in functionality of these products and the prevalence of products.

In addition, the Company may receive in the future, claims from third parties asserting infringement and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Company's proprietary rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than us and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such claims could, among other things:

- be time consuming to evaluate and defend;
- result in costly litigation;
- cause product shipment delays or stoppages;
- divert management's attention and focus away from the Company's business;
- subject the Company to significant liabilities;
- require the Company to enter into costly royalty or licensing agreements; or
- require the Company to modify or stop using the infringing technology.

The Company may be prohibited from developing or commercializing certain technologies and products unless it obtains a license from a third party. There can be no assurance that the Company will be able to obtain any such license on commercially favourable terms, or at all. If the Company does not obtain such a license, its business, results of operations and financial condition could be materially adversely affected and the Company could be required to cease related business operations in some markets and to restructure its business to focus on operations in other markets.

There may be potential defects in the Company's products.

Although the Company employs a testing and quality assurance program, the Genesis Solution and other products of the Company may contain defects or errors, particularly when first introduced or as new versions are released. The Company may not discover such defects or errors until after a product has been released to its customers and this could materially impact the Company's reputation, result in significant remediation costs, delay product release schedules and impair the Company's ability to sell products in the future. The costs necessary to remedy a product defect, including possible recall costs, could be substantial and could negatively impact the Company's operating results and financial condition.

Dependence on market, economic conditions and industry payment patterns.

Demand for the Company's products depends significantly upon the residential and commercial construction markets. The level of activity in the new residential construction market depends upon many factors, including the general demand for housing, interest rates, availability of financing, housing affordability, levels of unemployment, shifting demographic trends, gross domestic product growth, consumer confidence, changes in the rate of housing starts and other general economic conditions. The level of activity in the commercial construction market also depends upon many factors, including vacancy and absorption rates, interest rates, regional economic outlooks, the availability of financing and general economic conditions. Consequently, the level of activity in the commercial and new residential construction markets is determined by factors that are not within the Company's control.

The Company is subject to credit risks associated with customer concentration. Because the Company's customers are concentrated in the construction market and have similar characteristics, their ability to meet their obligations to the Company are expected to be similarly affected by the same changes that affect the construction market as whole.

The Company is also subject to the payment conventions of the construction industry which generally has a lengthy payment cycle and may require significant time and effort by the Company to collect accounts receivable which may have a material adverse effect on the Company's operations and financial condition.

Also, since such markets are sensitive to cyclical changes in the general economic conditions, future downturns in the economy or lack of further improvement in the economy could have a material adverse effect on the Company's financial condition and results of operations. Recent reported decreases in the level of residential construction activity in the United States may have a material adverse effect on the Company's operations and financial condition.

Dependence on key personnel.

Genesis is dependent on key members of senior management. In addition, innovation is important and success is dependent on the continued efforts of the Company's executive officers and key employees, who have specialized technical knowledge regarding materials development, software development, information technology systems and significant business knowledge regarding the construction and building industry. Genesis expects that it will need to hire additional personnel in designated growth areas. The market for the services of qualified personnel is competitive and the Company may not be able to attract and retain key employees. If the Company loses the services of one or more of its key senior officers or employees, or fails to attract qualified replacement personnel, then the Company's business and future prospects could be materially adversely affected.

Competition from traditional building systems and market acceptance of the Company's products.

In seeking market acceptance, the Company will encounter competition from many sources, including other companies that use traditional building materials and processes. These traditional building system providers already have a well established and dominant market presence for their services and products. These competitors may have substantially greater financial, marketing and other resources than Genesis. The Company's products, or any new products successfully developed, may not achieve market acceptance and, as a result, may not generate significant revenues. Market acceptance of the Company's products will depend on a number of factors, including identifying and developing new licensees in new geographic area and markets, establishing and maintaining favourable relationships with licensees in new markets, maintaining and growing such relationships in existing markets and obtaining the required financing. In addition, market acceptance is also dependent on the successful development, testing and integration of new products and processes, such as MOT, into the existing Genesis Solution and product offerings provided by the Company. If Genesis fails to achieve market acceptance of the Genesis Solution or its product offerings, this may result in a shortfall in revenues and an inability to achieve or maintain profitability.

Managing growth.

Genesis is continuing to grow both domestically and internationally. As a result, it may be necessary to expand and adapt operational infrastructure and increase the number of personnel in certain areas. If the Company is unable to manage growth effectively, there could be a material adverse effect on its business, financial condition and results of operations. To manage growth effectively, Genesis must, among other things:

- continue to develop internal and external sales forces to explore new geographic markets and customer service operations to service new licensees;
- maintain, manage and build relationships with existing licensees; and
- successfully manage expansion and obtain required financing.

The Company will also need to continue to expand, train and manage its employee base, and management must assume even greater levels of responsibility. If Genesis is unable to manage growth effectively, it may experience a decrease in growth of the number of licensees, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Additional financing may be needed to fund continued growth, which may not be available.

The Company's ability to increase revenue will depend in part on its ability to continue growing the business by maintaining and increasing the licensee base, which may require significant additional resources. Additional financing may be necessary due to future developments, changes in the business plan or failure of the business plan to succeed, which could result from increased sales and marketing, distribution or research and development costs. Actual funding requirements could vary materially from current estimates. If additional

financing is needed, the Company may not be able to raise sufficient funds on favourable terms or at all. If the Company issues shares in the future, such issuance will result in the then existing shareholders sustaining dilution to their relative proportion of the equity in the Company. If Genesis fails to obtain any necessary financing on a timely basis, then its ability to execute its current business plan may be limited and its business could be adversely affected.

Short operating history.

The Company's business operations, particularly its focus on licensing, in whole or in part, the Genesis Solution, are at a relatively early stage of development. The Company has not generated positive net earnings to date and there is no assurance that it will be able to do so.

Operating risks.

Light steel design, engineering, fabrication and erection involve a high degree of operating risks. Natural disasters, adverse weather conditions, errors in design, engineering, fabrication and installation, as well as work environment accidents, can cause death or personal injury, property damage and the permanent or temporary suspension of operations. The occurrence of any of these events could result in loss of revenues, increased costs and liability to third parties. The Company has established risk management, insurance and work-safety programs to prevent or mitigate losses. There can be no assurance that any of these programs will be adequate or that the Company will be able to maintain adequate insurance coverage at rates that it considers reasonable in the future.

The Company's activities are also subject to certain dangers and to the risk of incurring liability, which all businesses involved in the construction industry must face, including the risk of defects in steel products or in the design, engineering, fabrication or erection of structural steel. Although neither the Company nor its licensees have received notice of any material defects in the Company's products, the occurrence of such defects could have an adverse impact on the Company's reputation. The Company maintains insurance coverage against certain risks through various product and liability insurance policies. However, there can be no assurance that the Company will always be able to maintain adequate coverage. The Company enters into fixed fee contracts to sell light steel building structures. If the expenses in fulfilling the terms of these contracts exceed the fixed fees earned from them, the Company's business, financial condition and results of operations could be adversely effected.

Availability of light steel at reasonable prices.

Light steel is the main raw material used by the licensees in the fabrication of its structural products. Light steel prices are subject to market and seasonal fluctuations and may rise at rapid rates over short periods of time. A rapid rise in the price of steel or any deficiency in the supply of light steel may adversely affect the number of building projects using the Genesis Solution which may adversely affect the Company's revenue that is dependent on royalties. Consequently, the Company's business, financial condition and results of operations are sensitive to the price of light steel and may be adversely affected by a rapid rise in the price of light steel.

Product liability claims.

Although the Company believes that it maintains adequate insurance coverage, it may from time to time be subject to claims for damages resulting from defects in products that it manufactures. Product liability claims, even if unsuccessful, may result in significant litigation costs as well as other costs incurred to remedy the problem, such as product recalls, which could substantially increase the Company's expenses. Successful or partially successful product liability claims could result in significant monetary liability and could seriously disrupt the Company's business, particularly if the Company's insurance coverage was inadequate or unavailable in respect of any such claims. Furthermore, a highly publicized problem, whether actual or perceived, with products that the Company manufactures could adversely affect the market's perception of its products which may result in a decline in demand for products distributed by the Company, thereby materially reducing the Company's revenues and adversely affecting its operating results.

Changes in building codes and other applicable regulations.

Local building codes and related regulations govern the building of homes and various other structures. These building codes and related regulations may change over time and the Company must be up-to-date on all applicable building codes and related regulations and comply with all existing regulations. Any failure or perceived failure by us to comply with these regulations could result in claims against us which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks related to operating under foreign business, political and economic conditions.

Genesis contracts with various licensees from around the world. As a result, it is exposed to foreign business, legal, political and economic risks, which could materially adversely affect the Company's financial position and results of operations, including: (i) difficulties in managing licensee relationships from outside of a licensee's jurisdiction; (ii) political and economic instability, including tensions in Iran and Afghanistan; (iii) less developed infrastructures in newly industrializing countries; (iv) the possibility that political sanctions may be imposed against countries in which licensees operate; and (v) exposure to possible litigation or claims in foreign jurisdictions.

Environmental matters.

The Company's operations are subject to environmental laws and regulations as well as guidelines and policies. These laws, guidelines and policies govern, among other things, unlawful discharges to land, air, water and sewers; waste collection, storage, transportation and disposal; hazardous waste; dangerous goods and hazardous materials and the collection, storage, transportation and disposal of such substances; and the clean-up of unlawful discharges. In addition, as a result of the Company's operations, it may be subject to remediation, clean-up or other administrative orders or penalties, or amendments to its operating permits, and it may be involved from time to time in administrative and judicial proceedings or inquiries. Future orders, proceedings or inquiries could have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental laws in Canada where the Company operates are constantly changing. New legislation or the increased enforcement of existing legislation could have a material adverse effect on the Company's business and financial condition. In addition, compliance with regulatory requirements can be expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. There can be no assurance that the Company will be able to maintain its profitability by offsetting any increased costs of complying with future regulatory requirements.

The Company could potentially become liable for environmental damage, including damage to neighbouring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. Liabilities associated with such events could be substantial. The Company's potential liability may include costs resulting from known or unknown conditions at its sites, including conditions identified as part of recently completed external environmental site assessments. The Company may also be subject to liability for any off-site environmental contamination caused by pollutants or hazardous substances that it or its predecessors arranged to transport, treat or dispose of at other locations. In addition, the Company may be held legally responsible for liabilities as a successor owner of businesses or properties that it acquires or has acquired. These businesses or properties may have liabilities that the Company fails or is unable to discover, including liabilities arising from non-compliance with environmental laws by prior owners. There is limited availability of insurance coverage for environmental liability. Any substantial liability for environmental damage could materially adversely affect the Company's financial condition and results of operations.

Foreign currency risk.

A substantial portion of the Company's future revenue may be earned in United States dollars, while a substantial portion of the Company's operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rates between currencies may have a material adverse effect on its business, financial condition and results of operations.

A small number of significant shareholders may influence major corporate decisions.

As a small number of shareholders hold a significant percentage of the outstanding Common Shares, these shareholders may influence major corporate decisions and other shareholders may not be able to affect corporate decisions as a result.

Risks associated with move to new Vaughan, Ontario facility.

The Company intends to relocate the operations of KML from its Cambridge, Ontario facility to a new Vaughan, Ontario facility. Delays in establishing the Company's operations in its new Vaughan facility and any cost overruns associated with the move may have a material adverse effect on the Company's business, financial condition and results of operations. As a result, during the six week period beginning in May 2007, the Company will cease producing structural steel panels which will result in a decline in revenues during this period.

Risk Factors Related to the Offering and Share Capital of the Company

The Common Shares have no trading history.

The Common Shares have no history of trading. There can be no assurance that an active and liquid trading market will develop for the Common Shares on any securities exchange upon which the Common Shares may be listed, the failure of which may have a material and adverse impact on the value of the Common Shares, and the ability of a purchaser to dispose of the Common Shares in a timely manner, or at all.

The dual listing nature of this offering may limit the liquidity of the Common Shares.

It is anticipated that the Common Shares will be listed on the TSX and admitted to trading on AIM. Given the relatively low volume of shares available for trading on each market, the Company can provide no assurance that an active public trading market will develop or will be sustained on either the TSX or on AIM following this Offering. If an active public trading market does not develop on the TSX or on AIM, the liquidity of an investment in the Common Shares may be limited, and the Company's share price may decline significantly as a result.

Shares traded in the U.K. on AIM are less liquid than those listed on the Official List.

Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than an investment in companies whose shares are listed on the Official List of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The future success of AIM and liquidity in the market for Common Shares cannot be guaranteed. In particular, the market for Common Shares in the United Kingdom may be, or may become, relatively illiquid and therefore such Common Shares may be or may become difficult to sell.

The Common Share price will fluctuate.

The Offering price of Common Shares may not be representative of the price that will prevail in the open market. Further, the market price of Common Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including actual or anticipated fluctuations in the results of operations, changes in estimates of future results of operations by the Company or securities analysts, announcements of technological innovations or new products or services by the Company or its competitors, or other events or factors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many technology companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of Common Shares.

A purchaser of the Common Shares under the Offering will suffer immediate dilution.

The Offering price of \$2.00 per Common Share will be substantially higher than the book value per share of the Common Shares issued prior to closing of the Offering. As a result, purchasers of Offering Shares will

experience immediate dilution. This dilution is due, in large part, to the fact that the Company's earlier investors paid substantially less than the Offering price when they purchased their shares. In addition, the exercise of currently outstanding options will, and future equity issuances may, result in further dilution to Genesis' investors.

Increased costs as a result of being a listed company.

As a listed company, Genesis will incur significant legal, accounting and other expenses that it did not incur as a private company. The Company will incur costs associated with listed company reporting requirements and corporate governance requirements. These rules and regulations will increase legal and financial compliance costs and make some activities more time consuming and costly. Genesis expects that these rules and regulations will make it more difficult and more expensive for it to maintain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult to attract and retain qualified individuals to serve on the Board or as executive officers. The Company cannot predict or estimate the amount of additional costs or the timing of such costs.

Additional Risk Factor Related to the Offering and Share Capital of the Company

Risks related to economic sanctions for certain investors.

The government of Canada may, from time to time, impose sanctions against certain foreign governments and persons which may have an adverse effect on the ability of the Company to do business in those countries.

Economic sanctions against foreign countries and persons maintained by the Canadian government may differ from those maintained by other governments, such as those of the United States and the United Kingdom. The Company currently has a licensee in Iran, and may extend its business to other U.S. Sanctions Targets. Under sanctions requirements administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), investors who are required to comply with U.S. economic sanctions may be prohibited from providing funding for or facilitating the Company's business with or in U.S. Sanctions Targets, including Iran. Generally, U.S. Persons are required to comply with OFAC-administered sanctions. If OFAC or other relevant U.S. agencies or judicial bodies determined that an investment in the Company constituted an impermissible funding or facilitation of the Company's business with a U.S. Sanctions Target by an investor required to comply with OFAC-administered sanctions, the investor might be subject to U.S. civil or criminal penalties.

CANADIAN TAKEOVER LAWS

Takeover bids in Canada are governed by the securities legislation of the relevant provinces and territories of Canada. As Genesis is incorporated under the laws of Canada, a takeover bid for Genesis will not be governed by the City Code and will not be regulated by the UK takeover authorities.

In Ontario, which is the principal jurisdiction in Canada in which Genesis will be a "reporting issuer" (as defined under applicable Canadian provincial securities laws) upon completion of the Offering, when any person (an "offeror"), except pursuant to a formal bid, acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, voting or equity securities or any class of a reporting issuer that, together with such offeror's securities and the securities of any person acting jointly and in concert with the offeror, would constitute 10% or more of the outstanding securities of that class, the offeror must immediately issue and file a press release announcing the acquisition, and file a report of such acquisition with the applicable securities regulatory authorities within two business days thereafter. Certain eligible institutions may elect an alternate reporting system. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time the offeror, or any person acting jointly or in concert with the offeror, acquires beneficial ownership of, or the power to exercise control over, or securities convertible into, an additional two percent or more of the outstanding securities of the applicable class. A takeover bid is generally defined as an offer to acquire a class of outstanding voting or equity securities of an issuer made to any holder of such securities and resident in such province where the securities subject to the offer, together with securities held by the offeror and any person acting in concert with the offeror, constitute in aggregate 20% or more of the outstanding securities of that class at the date of the offer. Subject to limited exemptions, a takeover

bid must be made to all holders of such class of securities who are in Ontario, and must allow such holders 35 days to deposit securities pursuant to the bid. The offeror must deliver to the holders of the securities a takeover bid circular which describes the terms of the takeover bid and the directors of the target company must deliver to the holders of that target company a directors' circular within 15 days of the date of the bid, making a recommendation to holders of the securities to accept or reject the bid.

Under Section 206 of the CBCA, where an offer to acquire all of the shares of an issued class of an offeree corporation has, within 120 days after the offer, been accepted by holders of not less than 90% of the shares subject to that offer, other than shares held at the date of the offer by or on behalf of the offeror, the offeror may give notice in the prescribed manner to any dissenting shareholder that it intends to acquire the remaining shares pursuant to Section 206 of the CBCA. The notice must be given within a prescribed period, with a copy sent to the Director appointed under the CBCA. Within 20 days of having given notice, the offeror must pay or transfer to the offeree corporation the consideration that the offeror would have had to pay to the dissenting shareholders if they had accepted the offer, to be held in trust for the dissenting shareholders. Within 20 days of having received notice, each dissenting shareholder must send their share certificates to the offeree corporation and must elect to transfer the shares to the offeror on the same terms as are contained in the offer or to demand payment of the fair value of the shares by so notifying the offeror. If the dissenting shareholders fail to notify the offeror within the applicable time period, they will be deemed to have elected to transfer their shares to the offeror on the same terms as are contained in the offer. If a dissenting shareholder elects to demand payment of the fair value of the shares, the offeror may apply to a court (as defined in the CBCA) to fix the fair value of the shares. If the offeror fails to apply to a court within the prescribed time, the dissenting shareholders may, within a further prescribed time, apply to a court to have such court fix the value of the shares. Any judicial determination of the fair value of the shares may be more or less than the amount paid pursuant to the offer. If there is no such application by a dissenting shareholder, such dissenting shareholder will be deemed to have elected to transfer its shares to the offeror on the same terms as are contained in the offer. If a shareholder does not receive notice that the offeror intends to acquire the remaining shares, the shareholder may, within a prescribed time period, require the offeror pursuant to Section 206.1 of the CBCA to acquire the shareholder's shares on the same terms as are contained in the offer.

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of Genesis beyond the applicable provisions of the CBCA. Genesis is not aware of any existing arrangements the operation of which may at a subsequent date result in a change in control of Genesis.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to Genesis, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the ITA generally applicable to the acquisition, holding and disposition of Common Shares by a purchaser who acquires Common Shares pursuant to this prospectus.

This summary is applicable to a purchaser of Common Shares who, at all relevant times, for the purposes of the ITA, (i) deals at arm's length and is not affiliated with Genesis, or the Underwriters nor any person with whom they do not deal at arm's length, and (ii) holds the Common Shares as capital property (a "Shareholder"). Generally, Common Shares will be considered to be capital property to a purchaser provided that such purchaser does not hold Common Shares in the course of carrying on a business and has not acquired Common Shares in one or more transactions considered to be an adventure in the nature of trade. This summary is not applicable to a holder that is either a "financial institution" (as defined in the ITA for purposes of the mark-to-market rules), a "specified financial institution", or a holder an interest in which is a "tax shelter investment" (all as defined in the ITA). **Any such holder should consult its own tax advisor with respect to an investment in the Common Shares.**

This summary is based on the provisions of the ITA and the regulations thereunder, in force as of the date of this prospectus and counsel's understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date of this prospectus. It also takes into account all specific proposals to amend the ITA and regulations thereunder publicly announced by or on behalf of the Minister of Finance of Canada prior to the date hereof (the "Proposed Amendments"). This summary is not exhaustive of

all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein. There is no assurance that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Investors are urged to consult their own tax advisors for advice with respect to the tax consequences of an investment in Common Shares, based on their particular circumstances.

Shareholders Resident in Canada

The following discussion applies to a Shareholder who, at all relevant times for the purposes of the ITA, is resident or is deemed to be resident in Canada (a “Resident Shareholder”). Certain Resident Shareholders whose Common Shares might not otherwise qualify as capital property may, in certain circumstances, treat such Common Shares and all other “Canadian securities” (as defined by the ITA), owned by such Resident Shareholder as capital property by making an irrevocable election provided by subsection 39(4) of the ITA. Such Resident Shareholders should consult their own tax advisors for advice with respect to whether an election under subsection 39(4) of the ITA is available or advisable in their particular circumstances.

Taxation of Dividends on Common Shares

Dividends (including deemed dividends) received on the Common Shares by a Resident Shareholder who is an individual (other than certain trusts) will be included in the individual’s income and will generally be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. A dividend will be eligible for the enhanced gross-up and dividend tax credit if the paying corporation designates the dividend as an “eligible dividend”. There may be limitations on the ability of Genesis to designate dividends as eligible dividends. However, Genesis does not anticipate declaring or paying any dividends in the near to medium term.

Taxable dividends received by an individual (other than certain specified trusts) will be relevant in computing possible liability for alternative minimum tax.

Dividends (including deemed dividends) received on the Common Shares by a Resident Shareholder that is a corporation will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income.

A Resident Shareholder that is a “private corporation”, as defined in the ITA, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the ITA on dividends received (or deemed to be received) on the Common Shares to the extent such dividends are deductible in computing its taxable income.

Disposition of Common Shares

A Resident Shareholder who disposes of or is deemed to dispose of Common Shares (other than to Genesis) will generally realize a capital gain (or sustain a capital loss) equal to the amount by which the Resident Shareholder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such Common Shares to the Resident Shareholder and any reasonable cost of disposition.

Generally, one-half of any capital gain realized by a Resident Shareholder in a taxation year will be included in computing the Resident Shareholder’s income for such year (a “taxable capital gain”) and one-half of any capital loss realized by a Resident Shareholder in a taxation year (an “allowable capital loss”) may be deducted from the Resident Shareholder’s taxable capital gains realized in that year in accordance with the rules in the ITA. Allowable capital losses in excess of taxable capital gains in the year of disposition may generally be carried back up to three years or carried forward indefinitely and deducted in a subsequent year against taxable capital gains realized in such years in accordance with the rules in the ITA. Any capital loss resulting from the

disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends previously received or deemed to be received on Common Shares, to the extent and under the circumstances described in the ITA.

Capital gains realized by a Resident Shareholder who is an individual (other than certain specified trusts) will be relevant in computing possible liability for alternative minimum tax.

A Resident Shareholder that is a “Canadian-controlled private corporation” as defined in the ITA may be subject to an additional refundable 6⅓% tax on their “aggregate investment income” (which is defined in the ITA to include an amount in respect of taxable capital gains but not dividends or deemed dividends deductible in computing taxable income).

Shareholders Not Resident in Canada

The following discussion applies to a Shareholder who, at all relevant times, for purposes of the ITA, is neither resident nor deemed to be resident in Canada for the purposes of the ITA, does not and is not deemed to use or hold the Common Shares in, or in the course of, carrying on a business in Canada, and does not hold Common Shares as part of the business property of a permanent establishment in Canada and is not a foreign affiliate of a taxpayer resident in Canada for the purpose of the ITA (a “Non-Resident Shareholder”). In addition, this discussion does not apply to an insurer who carries on business in Canada and elsewhere or an “authorized foreign bank” (as defined in the ITA).

Dividends on the Common Shares

Dividends paid or credited or deemed to be paid or credited on the Common Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%. Such non-resident withholding tax may be reduced by virtue of the provisions of an income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is a resident.

Disposition of Common Shares

A Non-Resident Shareholder will not be subject to tax under the ITA in respect of any capital gain realized by such shareholder on a disposition of Common Shares unless the Common Shares constitute “taxable Canadian property” (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention. As long as the Common Shares are listed on a prescribed stock exchange for the purposes of the ITA (which currently includes the TSX, but does not include AIM) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Shareholder, unless at any time during the 60 month period immediately preceding the disposition, the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm’s length, or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued Common Shares or any other class of shares of Genesis. A Non-Resident Shareholder will not be subject to the requirements (including the notification to and the obtaining of a clearance certificate from the Canadian tax authorities) of Section 116 of the ITA in connection with a disposition of Common Shares if the Common Shares are listed on a prescribed stock exchange for the purposes of the ITA at the time of their disposition.

UNITED KINGDOM TAXATION

General

The following statements are intended only as a general non-exhaustive guide to certain aspects of current UK tax legislation and to what is understood to be the current practice of the UK HM Revenue & Customs. They relate to persons who are resident or (if individuals) ordinarily resident in the United Kingdom for UK tax purposes and who are the absolute beneficial owners of Common Shares and any dividends paid in respect of them, in circumstances where any dividends paid are regarded for UK tax purposes as that person’s income (and not the income of some other person). The comments below may not apply to certain classes of shareholder such as dealers in securities, insurance companies, trusts and trustees, collective investment schemes

or persons connected with Genesis and certain specific tax consequences which are not dealt with below may apply to any shareholders in Genesis which control or hold, either alone or together with one or more associated or connected persons, directly or indirectly at least 5% of the shares and / or voting rights of Genesis. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of acquiring and holding the Common Shares. **Any person who is in any doubt as to his tax position or who is subject to tax in any jurisdiction other than the United Kingdom is strongly recommended to consult his professional advisers immediately. This summary is based upon UK law and UK HM Revenue & Customs practice, all as currently in effect and all subject to change at any time, possibly with retroactive effect.**

Taxation of Dividends

Tax Treatment of Genesis

Genesis is not required to withhold UK tax at source on payment of dividends.

Tax Treatment of UK Resident Holders

Holders of the Common Shares who are resident for tax purposes in the United Kingdom will, in general, be subject to UK income tax or corporation tax on the gross amount of dividends paid to them by Genesis. Dividends received by such holders who are within the charge to corporation tax will be taxed at the prevailing corporation tax rate. Individual shareholders who are domiciled in the United Kingdom will generally be chargeable to income tax on the gross dividend paid by Genesis. An individual shareholder liable to income tax at no more than the basic rate will be liable to income tax at the rate of 10%. An individual shareholder liable to income tax at the higher rate will be liable to be taxed at 32.5%. However, relief may be available for Canadian withholding tax, with the provision that the relief cannot exceed the UK tax payable on the dividend. An individual holder of Common Shares who is resident but not domiciled in the United Kingdom for UK tax purposes, or who is resident but not ordinarily resident in the United Kingdom for UK tax purposes, may claim to be liable to UK income tax only to the extent that dividends paid by Genesis are remitted or deemed to be remitted to the UK.

In light of announcements made in the Budget on 21 March 2007, individual holders of Ordinary shares may, in the future and subject to certain conditions, be entitled to receive a UK tax credit in respect of any dividend received from the Company. An individual will qualify for the tax credit if they hold less than a 10% shareholding in the Company and received dividends of less than £5,000 per annum. Subject to Royal Assent, these changes would have effect from 6 April 2008.

The value of the tax credit proposed is one ninth of the amount of the dividend received (or 10% of the aggregate of the amount of the dividend and tax credit (the “gross dividend”). The individual will be liable to income tax on the gross dividend which will be regarded as the top slice of his income for tax purposes and will be subject to UK income tax at the dividend rate of tax as described below.

Individuals who are not higher rate taxpayers will be liable to tax on the gross dividend at 10%. This means that the tax credit will satisfy such individual’s liability to pay income tax in respect of the gross dividend and there will be no further tax to pay.

In the case of individuals who are liable to income tax at the higher rate, tax will be payable on dividends at the “dividend upper rate” (currently 32.5%). The 10% tax credit will be set against his liability to tax in respect of the gross dividend. Therefore, he will have to pay additional tax equal to 22.5% of the gross dividend (or 25% of the net dividend received).

UK resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds, charities and certain individuals such as those holding Shares through a personal equity plan or an individual savings account, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Non-Portfolio Interest

If a UK corporate shareholder has a non-portfolio interest (at least 10%) in Genesis, it may also be entitled to a credit for Canadian company tax paid on the underlying profits. The underlying tax shall not be more than the sum of the dividend paid and the underlying tax multiplied by the rate of UK corporation tax at the time the dividend is paid. The total tax credit is then limited to the lesser of (a) the underlying tax and the withholding tax taken together, and (b) an amount equal to the UK corporation tax attributable to the relevant income.

As the credit given for Canadian tax suffered on the dividend cannot exceed the UK corporation tax liability on the dividend, a UK company may, subject to satisfying the provisions within the UK Double Tax regulations, be entitled to claim credit for any excess Canadian tax (both withholding, and where available, underlying tax) against dividends received from other sources.

Capital Gains

A disposal of the Common Shares by a holder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the holder's circumstances and subject to any available exemption relief. A holder of Common Shares who is an individual and who has, on or after March 17, 1988, ceased to be resident or ordinarily resident for UK tax purposes in the United Kingdom for a period less than five years of assessment and who disposes of Common Shares during that period may also be liable, when he resumes UK tax residence, to UK taxation of chargeable gains (subject to any available exemption or relief). It should be noted that the UK Finance (No. 2) Act 2005 contains provisions to deal with individuals who are resident or ordinarily resident in the United Kingdom but fails to be regarded as resident in a territory outside the United Kingdom for the purposes of double taxation relief arrangements.

In some circumstances, a chargeable gain may arise in both the United Kingdom and Canada on a disposal of shares. In these circumstances, a tax credit or deduction may be available in respect of the Canadian capital gains tax against the UK tax liability arising from the disposal.

Domicile

Any individual who owns Common Shares and is resident or ordinarily resident in the United Kingdom, but who is not regarded as domiciled in the United Kingdom for tax purposes, may be subject to UK income tax or capital gains tax as described above only to the extent that this income or disposal proceeds are treated as remitted to the United Kingdom. Any such individual is advised to obtain his own professional advice on the UK tax implications of the acquisition, ownership and disposal of Common Shares.

Inheritance Tax

If any shareholder is regarded as domiciled in the UK, inheritance tax may be payable in respect of the Common Shares on the death of the shareholder or, in certain circumstances, on a gift of the Common Shares. In the case of a shareholder who is not regarded as domiciled in the United Kingdom for these purposes, no such UK inheritance tax will be payable if the Common Shares are not situated in the United Kingdom.

Stamp Duty and Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current UK Stamp Duty position. The statements are made on the understanding that Genesis does not maintain a share register in the United Kingdom and they do not apply to Common Shares issued or transferred into depository or clearance arrangements, to which special rules apply.

1. The allocation and issue of Common Shares will not generally give rise to liability to stamp duty or stamp duty reserve tax.
2. It is intended that trading of the Common Shares (which are registered in Canada) on AIM will be effected on a paperless basis through CREST in the form of CREST depository interests representing

Common Shares. It is expected that these depository interests will not be subject to stamp duty reserve tax on transfer.

UK SETTLEMENT AND DEPOSITORY INTERESTS

Genesis has applied for the Common Shares to be admitted to CREST and it is expected that the Common Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in the Common Shares following Admission may take place within CREST if any shareholder so wishes. CREST is a voluntary system and holders of Common Shares who wish to receive and retain share certificates will be able to do so.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

As a matter of English law, foreign securities cannot be held and transferred directly in the CREST system. Accordingly, Genesis intends that shareholders should be able to elect to have Common Shares held and settled in CREST by means of the CREST International Settlement Links Service. Under the International Settlement Links Service, CREST Depository Limited, a subsidiary of CrestCo. Limited of 33 Cannon Street, London, UK, EC4M 5SB (the operator of the CREST system), will issue uncertificated depository interests representing entitlements to Common Shares, known as CREST Depository Interests (“CDIs”).

CDIs are independent securities constituted under English law, which may be held and transferred through the CREST system. Details of the arrangements for the service are contained in the CREST International Manual issued by CrestCo. Limited.

Where shareholders elect to hold Common Shares through the CREST system, their Common Shares will be transferred to an account of CREST Depository Limited, which will then issue CDIs (representing Common Shares) to the shareholder’s designated CREST account.

The International Security Identification Number (“ISIN”) to be used in relation to the Common Shares in connection with the Offering is CA 3718471046. The CDIs representing the Common Shares will have the same ISIN as the underlying Common Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this prospectus, no director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company.

NO MATERIAL CHANGE

Except as otherwise disclosed in this prospectus, there has not been any material change in the financial condition or trading position of the Company since March 31, 2007, being the date as of which the last interim consolidated financial statements were prepared, to the date of this document. For this section, reference to the trading position of the Company is a reference to its sales, revenues and earnings over the period in question.

RELATED PARTY TRANSACTIONS

Except as disclosed in this prospectus and the financial statements (including the notes thereto) which form a part of this prospectus, the Company has not entered into any material transactions with any related party since January 1, 2004.

LEGAL PROCEEDINGS

A counterclaim was filed in July 2006 for approximately \$831,000 against KML in connection with KML's claims for approximately \$2.1 million against Ledcor Construction Limited and The Guaranty Company of North America with respect to services and materials provided by the Company. The Company anticipates scheduling discoveries in this matter in the near future. Another counterclaim was filed in November 2006 for approximately \$301,000 against GenesisTP in connection with GenesisTP's claim for approximately \$409,146 against IBC Integra Building Contractors Inc. and principals with respect to services and materials provided by GenesisTP. A statement of defence to the counterclaim was filed in January 2007. Both matters are before the Ontario Superior Court of Justice.

KML also received a demand letter dated January 11, 2007 for \$1.2 million from Urbancorp Construction Company ("Urbancorp") in connection with its retrofitting efforts for a condominium project in which the Company was involved. The Company expects any payment that may have to be made to be covered by its insurance policies. In addition, the Company has taken the position, and has notified Urbancorp accordingly, that such claim has no basis and has advised Urbancorp to cease and desist.

Except as otherwise disclosed in this prospectus, there are no and there have not been in the 12 months immediately preceding the date of this prospectus any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which have, may have or have had in the recent past any significant effect on the Company's financial position or profitability.

LEGAL MATTERS

Certain legal matters relating to the Common Shares offered by this prospectus will be passed upon at the closing of the Offering on behalf of Genesis by Stikeman Elliott LLP, Toronto, Canada and on behalf of the Underwriters by McCarthy Tétrault LLP.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The current auditors of Genesis are Ernst & Young LLP at their principal office at 222 Bay Street, Toronto, Ontario, M5K 1J7, Canada. Ernst & Young LLP are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Canada.

MATERIAL CONTRACTS

The only material contracts entered into by Genesis or the Subsidiaries within the past two years, or to which Genesis or any of its Subsidiaries will become a party on or prior to the closing of the Offering, other than in the ordinary course of business, are:

- (a) the Underwriting Agreement referred to under "Plan of Distribution";
- (b) the NOMAD Agreement referred to under "Plan of Distribution"; and
- (c) the Escrow Agreement referred to under "Escrowed Securities".

Copies of the foregoing contracts may be examined during normal business hours at Genesis' office located at 2430 Meadowpine Boulevard — Suite 105, Mississauga, Ontario Canada, L5N 6S2, during the period of distribution of the Common Shares offered hereby.

INTEREST OF EXPERTS

As of the date of this prospectus, the partners and associates of Stikeman Elliott LLP, as a group, and the partners and associates of McCarthy Tétrault LLP, as a group, each beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

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AUDITORS' CONSENT

To the Board of Directors of Genesis Worldwide Inc.

We have read the prospectus of Genesis Worldwide Inc. (the "Company") dated June 25, 2007 relating to the issue and sale of 10,000,000 common shares of the Company. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the inclusion in the above mentioned prospectus of our report to the Directors of the Company on the consolidated balance sheets of the Company as at December 31, 2006 and December 31, 2005, and the consolidated statements of loss and deficit, and cash flows for each of the years in the three-year period ended December 31, 2006. Our report is dated March 27, 2007 (except as to notes 15(a), (b), (c), (d) and (e) which are as of April 23, 25, 27, June 21 and 25, 2007, respectively).

Toronto, Canada
June 25, 2007

ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

GENESIS WORLDWIDE INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(See Basis of Presentation — Note 1)
(Unaudited)

	<u>As at March 31, 2007</u>	<u>As at December 31, 2006</u>
ASSETS (notes 7 and 8)		
Current		
Cash and cash equivalents (note 3)	\$ 849,477	\$ 1,011,386
Accounts receivable, net (notes 10 and 13)	4,917,575	5,626,735
Inventories (note 4)	2,334,968	769,441
Prepaid expenses and deposits	281,801	470,352
Total current assets	<u>8,383,821</u>	<u>7,877,914</u>
Long-term accounts receivable	431,250	—
Property, plant and equipment (note 5)	2,892,684	2,870,557
Deferred share issue costs	1,359,050	—
Intangible asset (note 6)	2,252,786	2,320,199
	<u>\$ 15,319,591</u>	<u>\$ 13,068,670</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (note 10)	\$ 6,461,906	\$ 4,744,193
Warrants liability (note 8)	600,000	600,000
Deferred revenue — current portion (note 10)	1,985,794	2,141,733
Minimum royalty payment obligations (note 6)	24,257	23,140
Total current liabilities	<u>9,071,957</u>	<u>7,509,066</u>
Long-term		
Deferred revenue (note 10)	431,250	—
Debentures due to related parties (notes 8 and 10)	5,657,822	3,190,585
Minimum royalty payment obligations (note 6)	1,542,372	1,549,162
Total long-term liabilities	<u>7,631,444</u>	<u>4,739,747</u>
Commitments and contingencies (notes 6, 8 and 11)		
Shareholders' equity (deficiency)		
Capital stock (note 9)	42,174,920	42,174,920
Contributed surplus (note 9(e))	73,855	65,293
Deficit	<u>(43,632,585)</u>	<u>(41,420,356)</u>
Total shareholders' equity (deficiency)	<u>(1,383,810)</u>	<u>819,857</u>
	<u>\$ 15,319,591</u>	<u>\$ 13,068,670</u>

On behalf of the Board:

(Signed) JOHN GARDNER
Director

(Signed) RALPH STEEDMAN
Director

See accompanying notes

GENESIS WORLDWIDE INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS,
COMPREHENSIVE LOSS AND DEFICIT
(See Basis of Presentation — Note 1)
(Unaudited)

	Three months ended	
	March 31, 2007	March 31, 2006
Revenues (notes 2, 10, 13 and 14)		
Licensing	\$ 958,778	\$ 162,302
Structural products	3,030,520	4,524,832
Total revenues	<u>3,989,298</u>	<u>4,687,134</u>
Direct cost of revenues		
Licensing	524,671	63,429
Structural products	2,090,817	4,375,512
Total direct cost of revenues	<u>2,615,488</u>	<u>4,438,941</u>
	<u>1,373,810</u>	<u>248,193</u>
Expenses		
Research and development	231,151	237,726
Selling and marketing	385,971	245,150
Engineering and project management	386,179	275,094
General and administrative	1,019,067	594,094
Occupancy	303,583	323,910
Plant commissioning costs (note 5)	222,591	—
	<u>2,548,542</u>	<u>1,675,974</u>
Loss before other expenses (income)	<u>(1,174,732)</u>	<u>(1,427,781)</u>
Amortization of property, plant and equipment	177,180	120,850
Amortization of intangible asset	67,413	67,413
Foreign exchange gain	(13,207)	26,800
Interest income, net	—	(4,876)
Minimum royalty accretion	74,327	73,236
Debenture and loan interest expense (notes 8 and 10)	618,334	—
	<u>924,047</u>	<u>283,423</u>
Net loss and comprehensive loss for the period	<u>(2,098,779)</u>	<u>(1,711,204)</u>
Deficit, beginning of period, as previously reported	(41,420,356)	(33,960,744)
Transition adjustment (note 2(b))	(113,450)	—
Adjusted deficit, beginning of period	<u>(41,533,806)</u>	<u>(33,960,744)</u>
Deficit, end of period	<u>\$ (43,632,585)</u>	<u>\$ (35,671,948)</u>
Net loss per share		
Basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>
Weighted average number of shares outstanding (note 9(c))	<u>20,982,858</u>	<u>20,982,858</u>

See accompanying notes

GENESIS WORLDWIDE INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(See Basis of Presentation — Note 1)
(Unaudited)

	Three months ended	
	March 31, 2007	March 31, 2006
OPERATING ACTIVITIES		
Net loss for the period	\$(2,098,779)	\$(1,711,204)
Adjustments for non-cash items		
Amortization of property, plant and equipment and intangible asset	244,593	188,263
Stock compensation expense	8,562	8,562
Debenture interest expense accretion (<i>note 8</i>)	473,787	—
Minimum royalty accretion	74,327	73,236
	(1,297,510)	(1,441,143)
Changes in non-cash working capital balances related to operations		
Accounts receivable	852,910	(400,593)
Inventories	(1,565,527)	(50,465)
Prepaid expenses and deposits	188,551	(9,776)
Accounts payable and accrued liabilities	238,663	(829,211)
Deferred revenue	(299,689)	961,128
Cash used in operating activities	(1,882,602)	(1,770,060)
FINANCING ACTIVITIES		
Increase in bank indebtedness	—	1,425,810
Debenture proceeds (<i>notes 8 and 10</i>)	2,000,000	—
Cash provided by financing activities	2,000,000	1,425,810
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(199,307)	(165,222)
Minimum royalties paid	(80,000)	(40,000)
Cash used in investing activities	(279,307)	(205,222)
Net decrease in cash and cash equivalents during the period	(161,909)	(549,472)
Cash and cash equivalents, beginning of period	1,011,386	7,834,887
Cash and cash equivalents, end of period	\$ 849,477	\$ 7,285,415
Supplemental cash flow information		
Interest paid	162,453	1,858
Income taxes paid	—	—

2007

Non-cash investing activities

The Company recorded a long-term receivable in the amount of \$575,000 for a contract with a customer with an offsetting increase in deferred revenue.

The Company recorded costs of \$1,359,050 relating to its share issue costs with an offsetting increase in payables and accruals.

Non-cash financing activities

The Company recorded a prepayment penalty related to the anticipated repayment of the debenture on closing its initial public offering as a reduction to the carrying value of the debenture and an increase to accounts payable and accrued liabilities of \$120,000.

See accompanying notes

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2007

1. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

Genesis Worldwide Inc. and its wholly-owned subsidiaries, KML Limited Partnership, GenesisTP Inc., 6118216 Canada Inc., Light Steel Installation Group Inc., Light Steel Joist Solutions Inc., KML Engineered Homes Ltd. and KML Building Solutions Inc. (collectively the "Company" or "Genesis"), develops and licenses light steel structural building technologies aimed at the residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures. The Company refers to the licensing of its technologies as the licensing division or licensing business and the application of its technologies to build structural products as the structural products division.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has a history of operating losses and has incurred losses of \$2,098,779, has negative cash flows from operating activities of \$1,882,602 for the three months ended March 31, 2007, and has an accumulated deficit as at March 31, 2007 of \$43,632,585 and \$41,420,356 as at December 31, 2006. The ability of the Company to continue as a going concern is dependent upon raising additional financing through borrowings or equity financing, such as an initial public offering ("IPO") of its common shares, generating positive cash flows from its operations, and achieving future profitable operations through the successful ongoing development and licensing of its structural building technologies.

During 2006, the Company obtained financing from existing shareholders under the terms of the debentures in the aggregate principal amount of \$6,000,000. The Company plans to raise funds through an IPO of its common shares. The outcome of these matters is dependent on a number of items outside the Company's control. As a result, there is significant uncertainty as to whether the Company will have the ability to continue as a going concern.

These interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the interim consolidated financial statements, and these adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management following Canadian GAAP for interim financial statements. The interim consolidated financial statements have in management's opinion been properly prepared using judgements within reasonable limits of materiality. These interim consolidated financial statements do not include all of the note disclosures required for interim consolidated financial statements and therefore they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2006 included elsewhere in this prospectus.

The unaudited consolidated interim financial statements have been prepared on a basis consistent with the accounting policies and methods of application as the annual consolidated financial statements except for the initial adoption of recent Canadian accounting pronouncements effective January 1, 2007 as described in note 2(b).

(a) Deferred share issue costs

Deferred share issue costs comprise costs associated with the issuance of share capital. Share issue costs incurred prior to the issuance of share capital are deferred and applied against the proceeds when the shares are issued and are included within shareholders' equity.

(b) Adoption of recent Canadian accounting pronouncements in 2007

Accounting changes

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, *Accounting Changes* ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively, and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. Section 1506 also requires disclosure of information relevant to assessing the possible impact that the application of a new GAAP standard will have on the Company's interim consolidated financial statements in the period of

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

initial application. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 has had no impact on these interim consolidated financial statements.

Comprehensive income and financial instruments

On January 1, 2007, the Company adopted the CICA Handbook Section 1530, *Other Comprehensive Income*, Section 3855, *Financial Instruments — Recognition and Measurement* and Section 3861, *Financial Instruments — Disclosure and Presentation*.

Section 1530, Other Comprehensive Income

The new rules require that the Company present a new statement of comprehensive income, which is comprised of the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company had no other comprehensive income for all periods presented.

Section 3855, Financial Instruments — Recognition and Measurement

Section 3861, Financial Instruments — Disclosure and Presentation

Financial assets and financial liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurements are dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, and available-for-sale financial assets that do not have quoted market prices in an active market. Settlement date accounting continues to be used for all financial assets, except changes in fair value between the trade date and settlement date are reflected in the interim consolidated statements of loss, comprehensive loss and deficit for held-for trading financial assets, while changes in fair value between trade date and settlement date are reflected in other comprehensive income for available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets that are initially recognized at fair value and thereafter are accounted for at cost or amortized cost.

Other liabilities

Other liabilities are non-derivative financial liabilities that are initially recognized at fair value and thereafter are recorded at amortized cost and include all liabilities, other than derivatives or liabilities to which the fair value designation has been applied.

Transaction costs

Transaction costs related to debt financing are netted against the carrying value of the liability and then amortized over the expected life of the debentures of six months using the effective interest method.

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flows analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

or transaction prices. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Classification of financial instruments.

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

- Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in earnings as interest income.
- Accounts receivable are classified as loans and receivables.
- Bank indebtedness, accounts payable and accrued liabilities, and warrants liability are accounted for as other liabilities and initially measured at fair value, and debentures and minimum royalty payment obligations are accounted for as other liabilities at amortized cost.

On January 1, 2007, the Company made the following adjustments to its interim consolidated balance sheets after the adoption of the new requirements for financial instruments:

<u>Debit (credit)</u>	<u>As of January 1, 2007</u>
Interim Consolidated Balance Sheets	
Deferred financing costs <i>(note 8)</i>	\$(203,506)
Accounts payable and accrued liabilities <i>(note 8)</i>	(120,000)
Debentures due to related parties <i>(note 8)</i>	<u>210,056</u>
Deficit	<u>\$ 113,450</u>

Deferred financing costs have been reclassified on a comparative basis and from the consolidated financial statements previously presented as a reduction in debentures due to related parties.

The impact of these changes on the interim consolidated statements of loss, comprehensive loss and deficit, increases net loss as follows:

<u>Debit (credit)</u>	<u>Three months ended March 31, 2007</u>
Consolidated Statements of Loss, Comprehensive Loss and Deficit	
Debenture and loan interest expense <i>(note 8)</i>	<u>\$371,939</u>

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Current bank accounts	\$249,477	\$ 61,386
Short-term guaranteed investment certificates	<u>600,000</u>	<u>950,000</u>
	<u>\$849,477</u>	<u>\$1,011,386</u>

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

4. INVENTORIES

Inventories consist of the following:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Raw materials	\$ 597,778	\$684,681
Work-in-progress	18,036	11,438
Construction contracts in progress	244,545	73,322
Equipment to be delivered	1,474,609	—
	<u>\$2,334,968</u>	<u>\$769,441</u>

Equipment to be delivered represents costs incurred by the Company in connection with its multiple-element license arrangements for the sale of equipment to its licensees and for which revenue had been deferred.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>March 31, 2007</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Leasehold improvements	\$1,953,906	\$1,813,503	\$ 140,403
Machinery and equipment	4,651,849	2,236,208	2,415,641
Motor vehicles	92,446	49,247	43,199
Furniture and fixtures	113,151	45,194	67,957
Computer equipment	346,852	190,374	156,478
Computer software	72,284	43,689	28,595
Construction in progress	40,411	—	40,411
	<u>\$7,270,899</u>	<u>\$4,378,215</u>	<u>\$2,892,684</u>

	<u>December 31, 2006</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Leasehold improvements	\$1,951,806	\$1,779,452	\$ 172,354
Machinery and equipment	4,487,448	2,125,316	2,362,132
Motor vehicles	92,446	45,442	47,004
Furniture and fixtures	95,241	40,121	55,120
Computer equipment	346,852	172,746	174,106
Computer software	69,274	37,985	31,289
Construction in progress	28,552	—	28,552
	<u>\$7,071,619</u>	<u>\$4,201,062</u>	<u>\$2,870,557</u>

In the quarter ended March 31, 2007, the Company moved its light steel joist division to new premises. Plant commissioning costs incurred of \$222,591 were expensed in the interim consolidated statements of loss, comprehensive loss and deficit.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

6. INTANGIBLE ASSET

Intangible asset consists of the following:

	March 31, 2007		
	Cost	Accumulated amortization	Net book value
License	\$2,696,507	\$443,721	\$2,252,786
	December 31, 2006		
	Cost	Accumulated amortization	Net book value
License	\$2,696,507	\$376,308	\$2,320,199

On November 10, 2004, the Company entered into a licensing agreement to acquire an exclusive, non-transferable license to use the licensor's technology for the production and sale of certain steel joist products in Canada and the United States. The license is for an unlimited time and requires the Company to pay fees and royalties. The cost of this license consists of initial cash payments and minimum royalties totaling \$2,696,507. The Company commenced amortization in November 2005 when the technology and related systems were completed and available for use.

The Company is required to make royalty payments based on product sales in respect of the technology license acquired. Royalty payments commence six months after the Company's acceptance that the licensor's first product is commercially viable (the First Start Date, which was May 12, 2005). These royalties are subject to minimum payments of \$80,000 and \$150,000 per quarter for the first three-year period and the four through six-year period following November 2005, respectively. Until such date that the Company accepts the licensor's second product as commercially viable (the Second Start Date, which was June 15, 2006), these minimum royalty payments are reduced to 50% of the amount otherwise payable.

The minimum royalty payments have been recorded at their net present value in 2005 as an increase to the intangible asset and a corresponding obligation for minimum royalties of \$1,346,507.

Future minimum royalty payments under the agreement as at March 31, 2007 are approximately as follows:

2007 (April 1 to December 31)	\$ 240,000
2008	460,000
2009	600,000
2010	600,000
2011	600,000
Future minimum royalty payments	2,500,000
Less amount representing interest at 21%	933,371
Present value of minimum royalty payments	1,566,629
Less current portion	24,257
	\$1,542,372

7. BANK INDEBTEDNESS

During 2005 and up to December 6, 2006, the Company had a revolving demand credit facility of \$2,000,000 which was collateralized by a general security agreement constituting a first ranking security interest in all personal property of the Company and subject to certain financial covenants. Interest was payable at the lender's Canadian dollar and United States dollar prime rate plus 1.75%. The effective average interest rate for 2006 was 8.60% for Canadian dollar loans and 10.5% for United States dollar loans. The Company repaid all outstanding amounts and the banking facility was cancelled on December 6, 2006.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

8. DEBENTURES AND WARRANTS DUE TO RELATED PARTIES

On December 4, 2006, the Company issued debentures of \$4,000,000 to existing shareholders. In February and March 2007, additional debentures of \$2,000,000 were issued. The debentures are collateralized by a general security agreement granting the debenture holders a first charge over all the assets and undertakings of the Company and pledge of shares of subsidiary companies. The debentures also provide for a specific assignment of all intellectual property; however, none have been entered into. The debentures earn interest which is payable monthly at 12.75% per annum and mature at the earliest of (i) 24 months from December 4, 2006; (ii) an IPO, as defined in the debentures; or (iii) immediately prior to a change of control of the Company. The debentures can be prepaid at any time after the first anniversary of December 4, 2006 in specified minimum increments with pre-payment penalties. Upon completion of an initial public offering, the debenture holders are entitled to a pre-payment penalty equal to the amount of \$120,000 in the aggregate or 2% of the principal amount outstanding.

The debenture agreements contain financial and non-financial covenants which require the Company to maintain a ratio of current assets to current liabilities of at least 1.25:1 as defined in the debenture agreements. The agreements were amended, effective December 31, 2006, to exclude certain liabilities from the computation of the ratio of current assets to current liabilities.

Up to December 31, 2006, the deferred financing costs of \$243,365 incurred for the debentures was being amortized over the 24-month period of the debentures on the effective yield basis. Effective January 1, 2007, as a result of the adoption of the new standards for financial instruments, the warrants liability, deferred financing costs and the pre-payment penalty are being accreted to the face value of the debentures over the current expected period of the debentures of six months. Accretion expense for the quarter ended March 31, 2007 is \$473,787. The unamortized balance has been netted against the debenture liability.

In connection with the issuance of the debentures, the Company issued special warrants to the holders of the debentures ("Holders") that are exchangeable for nil consideration into a specified number of share purchase warrants ("Share Purchase Warrants").

Each Share Purchase Warrant entitles the holder to purchase one common share of the Company before the earlier of the fifth anniversary of the IPO of the Company's shares (or similar liquidity event) or immediately before a change of control.

The number of Share Purchase Warrants to be issued will be determined by a formula that provides the Holders with the opportunity to purchase within the next eighteen months the number of common shares equal to \$1,800,000, divided by the exercise price of \$2.15385, determined in accordance with terms of the Share Purchase Warrants, for a total of 835,712 common shares.

In management's view, it is likely that the next financing will raise \$5,000,000 or more at a per share value that will be greater than the conversion price for the Series C preferred shares. Consequently, under the formula as defined in the agreement, this creates an obligation for the Company to provide consideration of a fixed value payable in equity instruments to the Holders of \$600,000. This has been recorded as a warrant liability, since the Holders do not have a residual interest in the Company until they receive the common shares, as the number of common shares to be received is variable.

The remaining balance of the proceeds of \$3,400,000, out of the initial issue of \$4,000,000, is recorded as a debenture liability. This balance is now being accreted over a six month period on an effective yield basis.

In the event of a change of control, the Share Purchase Warrants may also be exercised for a non-interest bearing secured demand promissory note immediately due and payable at their intrinsic value. This amount is estimated at either \$600,000 or \$771,429, depending on future events as defined in the agreements.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

9. CAPITAL STOCK

(a) The Company's capital stock consists of the following:

	March 31, 2007 and December 31, 2006		
	Authorized #	Issued #	\$
Series A preferred shares, voting, convertible	4,616,430	4,616,430	21,974,559
Series B preferred shares, voting, convertible	1,000,000	1,000,000	3,883,331
Series C preferred shares, voting, convertible	3,899,999	3,899,999	16,317,030
Common shares	Unlimited	—	—
			\$42,174,920

The significant terms of the Series A, B and C issued preferred shares are as follows:

- Redemption — there are no redemption rights attached to the preferred shares.
- Conversion — preferred shares and any declared but unpaid dividends are convertible at any time into common shares at prescribed conversion rates for each of Series A, B and C preferred shares with the Series C preferred shares containing multiplier rights to receive additional common shares as specified in the Company's Articles of Incorporation (*note 15(a)*).
- Liquidation — Series A, B and C preferred shares have liquidation preferences at prescribed amounts per share, with Series C shares containing multiplier rights for additional preferences.
- Dividends — dividends on the Series A, B and C preferred shares are payable when declared by the Board of Directors. Dividends for Series C preferred shares must be first paid or declared and set apart on a proportionate basis as if they were converted into common shares, before dividends or other distributions can be made for Series A and B preferred shares and any common shares.
- Anti-dilution — Series B and C preferred shares are protected to prevent dilution. Should a transaction result in a potential dilution of the Series B and C preferred shares, the conversion price of Series B and C preferred shares would be reduced to prevent such a dilution at conversion.
- Voting rights — holders of preferred shares have votes equal to the number of shares issuable upon conversion to common shares. Fractional voting rights are available on an as if converted basis rounded to the nearest whole number. The Articles of Incorporation also outline the number of Board Directors that can be appointed by each of the Series A, B and C preferred shareholders.
- Other rights — holders of preferred shares have rights to receive information and have protection provisions requiring their approval on various matters, including liquidation and dividend declarations and key business matters, as outlined in the Articles of Incorporation.

(b) No shares were issued by the Company during 2006 and the quarter ended March 31, 2007.

(c) The Company's capital stock outstanding as at March 31, 2007 and December 31, 2006 as disclosed in note 9(a), does not reflect the capital reorganization whereby the Series A, B and C preferred shares were exchanged for common shares (*note 15(a)*).

The weighted average number of common shares outstanding for purposes of computing the loss per share is based on the in substance common shares outstanding, as common shares are not issued. Once the preferred shares have been exchanged for common shares pursuant to the capital reorganization (*note 15(a)*) for purposes of computing loss per share, the preferred shares

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

9. CAPITAL STOCK (Continued)

are deemed to be common share equivalents and have been adjusted to give effect to the exchange ratios of 2-for-1 for the Series A and B preferred shares and 2.5-for-1 in the case of the Series C preferred shares for all historical periods presented as follows:

<u>Preferred shares</u>	<u>Exchange ratio</u>	<u>Common share equivalents</u>	
		<u>March 31, 2007</u>	<u>December 31, 2006</u>
Series A	1:2	\$ 9,232,860	\$ 9,232,860
Series B	1:2	2,000,000	2,000,000
Series C	1:2.5	9,749,998	9,749,998
		<u>20,982,858</u>	<u>20,982,858</u>
Weighted average		<u>\$20,982,858</u>	<u>\$20,982,858</u>

(d) Stock Option Plan

The Stock Option Plan is intended to attract, retain and motivate directors, officers and salaried employees. Options are granted based on the position of the incumbent with an exercise price equal to the fair market value of the underlying common shares at the date of grant of the options. The terms or value of the award are determined by the Compensation Committee of the Company's Board of Directors at the time of grant, and options must be exercised during a period established by the Company, which currently is 10 years from the date of grant. The options' vesting schedules are based on time periods ranging from three to four years from the date of grant and, for one executive, also based on the Company achieving specified financial performance milestones. These milestones have not been met and, accordingly, none of these options have vested as at March 31, 2007 (note 15(b)).

The total number of options issuable under the Stock Option Plan is 1,250,000 common shares.

The following table presents information concerning stock options granted to employees by the Company:

	<u>March 31, 2007</u>		<u>March 31, 2006</u>	
	<u>Number of options</u>	<u>Weighted average exercise price per share</u>	<u>Number of options</u>	<u>Weighted average exercise price per share</u>
Outstanding, January 1	1,100,587	\$0.73	713,087	\$0.69
Forfeited	—	—	(11,000)	0.85
Outstanding, March 31	<u>1,100,587</u>	<u>\$0.73</u>	<u>702,087</u>	<u>\$0.68</u>
Exercisable, March 31	<u>247,191</u>	<u>\$0.48</u>	<u>135,794</u>	<u>\$0.41</u>
			<u>December 31, 2006</u>	
			<u>Number of options</u>	<u>Weighted average exercise price per share</u>
Outstanding, beginning of year			713,087	\$0.69
Granted			465,000	0.82
Exercised			—	—
Forfeited			(77,500)	0.84
Outstanding, end of year			<u>1,100,587</u>	<u>\$0.73</u>
Exercisable, end of year			<u>236,441</u>	<u>\$0.48</u>

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

9. CAPITAL STOCK (Continued)

The following table summarizes information about the Company's outstanding stock options:

<u>Range of exercise prices</u>	<u>Options outstanding as at March 31, 2007</u>			<u>Options exercisable as at March 31, 2007</u>	
	<u>Number outstanding</u>	<u>Weighted average remaining contractual life</u> (years)	<u>Weighted average exercise price</u>	<u>Number exercisable</u>	<u>Weighted average exercise price</u>
\$0.40 to \$0.50	293,087	6.53	\$0.41	209,066	\$0.41
\$0.80	375,000	9.22	0.80	—	—
\$0.88 to \$0.90	432,500	8.61	0.89	38,125	0.89
	<u>1,100,587</u>	<u>8.27</u>	<u>\$0.73</u>	<u>247,191</u>	<u>\$0.48</u>

<u>Range of exercise prices</u>	<u>Options outstanding as at December 31, 2006</u>			<u>Options exercisable as at December 31, 2006</u>	
	<u>Number outstanding</u>	<u>Weighted average remaining contractual life</u> (years)	<u>Weighted average exercise price</u>	<u>Number exercisable</u>	<u>Weighted average exercise price</u>
\$0.40 to \$0.50	293,087	6.78	\$0.41	198,316	\$0.41
\$0.80	375,000	9.46	0.80	—	—
\$0.88 to \$0.90	432,500	8.85	0.89	38,125	0.89
	<u>1,100,587</u>	<u>8.51</u>	<u>\$0.73</u>	<u>236,441</u>	<u>\$0.48</u>

(e) Contributed surplus

The change in contributed surplus is as follows:

	<u>2007</u>
Balance, January 1	\$65,293
Stock-based compensation expense related to employee stock options (<i>note 9(d)</i>)	8,562
Balance, March 31	<u>\$73,855</u>

10. RELATED PARTIES

Revenues earned from a shareholder of the Company in connection with license arrangements, at the exchange amount agreed upon between the parties, amounted to \$197,671 for the quarter ended March 31, 2007 (March 31, 2006 — \$115,635).

Another shareholder has a business relationship as a contract customer of the Company with regular credit terms. Revenues earned at the exchange amount agreed upon between the parties is \$35,200 for the quarter ended March 31, 2007 (March 31, 2006 — \$150,238) for the quarter ended March 31, 2006. The Company has also entered into a commercial property lease with this shareholder on December 21, 2006 for a period of 10 years commencing January 1, 2007 for an annual minimum base rent of \$727,040. The Company is also liable for additional rent for operating costs, utilities and taxes.

During 2007, the Company borrowed the remaining available \$2,000,000 in debentures, and incurred interest expense of \$144,547 and accretion expense of \$473,787.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

10. RELATED PARTIES (Continued)

During 2006, the Company borrowed \$4,000,000 by way of debentures and also issued warrants (*note 8*) to certain existing shareholders. Expenses related to this financing at the exchange amount agreed upon between the parties comprise interest due to the lenders of \$36,144, accretion expense of \$23,985 and commitment fees of \$180,000, included in total financing costs of \$243,365 (*note 8*).

11. COMMITMENTS AND CONTINGENCIES

(a) In the ordinary course of business, the Company has entered into various operating lease agreements for premises and equipment. Lease commitments required for the next five years and thereafter are outlined below. In addition, the Company is required to pay realty taxes and maintenance costs for the leased premises.

	Property leases	Equipment leases	Total
2007 (April 1 to December 31)	\$ 783,375	\$88,989	\$ 872,364
2008	1,045,275	54,879	1,100,154
2009	1,045,275	33,620	1,078,895
2010	983,815	8,405	992,220
2011	963,328	—	963,328
Thereafter	4,816,639	—	4,816,639

(b) In the normal course of operations, the Company is subject to lawsuits and claims. Significant claims are as follows:

- A counterclaim against the Company was filed in July 2006 for approximately \$831,000 in connection with the Company's claims for approximately \$2,100,000 against a customer with respect to contract services and materials provided by the Company. Another counterclaim against the Company was filed in November 2006 for approximately \$301,000 also in connection with the Company's claim for approximately \$409,146 against a customer with respect to contract services and materials provided by the Company. A statement of defence to the counterclaims was filed in January 2007. Both matters are before the Ontario Superior Court of Justice.
- The Company also received a demand letter dated January 11, 2007 for \$1.2 million from a customer in connection with its retrofitting required for a project in which the Company was involved. The Company believes that the claim has no merit.

It is the opinion of management that the final determination of these lawsuits and claims will not have a material adverse effect on the financial position or results of operations of the Company.

(c) The Board of Directors implemented a Management Carve Out Agreement in November 2004 between Series A, B and C preferred shareholders and management option holders.

Under the terms of this agreement, option holders would be entitled to a management bonus based on their pro-rata share of options outstanding in the event of a sale of the Company by all of the preferred shareholders. The bonus is only payable if the purchase price of the Company is between \$40,000,000 and \$72,000,000. The bonus reaches a maximum value of \$2,000,000 at a selling price of \$50,000,000 for the Company. No amounts are recorded in these interim consolidated financial statements. The Company has taken steps to terminate this agreement.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

12. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Future tax assets		
Capital assets and other	\$ 770,000	\$ 828,000
Non-capital losses	<u>7,060,000</u>	<u>6,379,000</u>
Total future tax assets	7,830,000	7,207,000
Less valuation allowance	<u>(7,830,000)</u>	<u>(7,207,000)</u>
Net future tax assets	<u>\$ —</u>	<u>\$ —</u>

The reconciliation of income taxes at the statutory rate to income tax expense is as follows:

	Three months ended March 31,	
	<u>2007</u>	<u>2006</u>
Income tax recovery at statutory rate (34%)	\$(530,000)	\$(580,000)
Increase in income taxes resulting from the following		
Financing fees	19,800	19,800
Benefit of losses not recognized	<u>510,200</u>	<u>560,200</u>
	<u>\$ —</u>	<u>\$ —</u>

At March 31, 2007, the Company has accumulated Canadian non-capital losses of approximately \$20,762,000 available for carryforward to be applied against taxable income in future years. Of these non-capital losses, \$680,000 will expire in 2010, \$3,871,000 in 2014, \$7,751,000 in 2015, \$6,900,000 in 2026, and \$1,560,000 in 2027.

13. FINANCIAL INSTRUMENTS

Fair values

The estimated fair values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these financial instruments. The amortized cost of long-term financial instruments approximate their carrying values as interest rates approximate market rates.

Currency risk

A significant number of the Company's transactions are recorded in U.S. dollars and, as such, is exposed to price risk due to fluctuations in foreign exchange rates. Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities include balances in this currency at period end.

Interest rate risk

Interest on the Company's debentures is fixed. The Company is exposed to the risk of changing interest rates for cash and cash equivalents held, impacting interest income.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

13. FINANCIAL INSTRUMENTS (Continued)

Credit risk and customer concentration

Concentration of credit risk arises when a group of customers having similar characteristics such that their ability to meet their obligations are expected to be affected similarly by changes in economic or other conditions. For the Company, significant concentrations of credit risk are related to the construction industry.

As at March 31, 2007, 4 customers (2006 — 2) individually represented more than 10% of the total accounts receivable balances and collectively accounted for 79% (2006 — 41%) of the total accounts receivable balance. As at March 31, 2007, 4 customers (2006 — 3) individually represented more than 10% of revenues and accounted for 70% of total revenues in 2007 (2006 — 52%).

14. SEGMENT INFORMATION

The Company's business activities are conducted through two operating segments, in addition to centralized corporate services. All intersegment transactions are measured at the exchange amounts.

Structural products

The structural products segment consists of a customized panelization facility and a light steel joist facility, both located in the Greater Toronto Area. Both facilities produce engineered components used in the construction of light steel residential and commercial buildings.

Licensing

The licensing segment develops and licenses light steel structural building technology solutions for residential and commercial markets. The Company develops software applications, creates light steel products and provides equipment specifications to market, sell, engineer, fabricate and install light steel structures through its own locations as well as through licensees. Operating activities consist of ongoing development of licensing and the application of technologies. At the end of the latest fiscal year, the Company had established licensing arrangements with four licensees based in North America and internationally. The Company continues to develop relationships with potential licensees around the world.

<u>Three months ended March 31, 2007</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues	\$3,206,602	\$1,044,077	\$ —	\$(261,381)	\$ 3,989,298
Direct cost of revenues	2,274,598	524,671	—	(183,781)	2,615,488
Contribution margin	932,004	519,406	—	(77,600)	1,373,810
Expenses before the undernoted	1,217,286	848,582	560,274	(77,600)	2,548,542
Amortization	223,242	20,430	921	—	244,593
Foreign exchange gain	(6,076)	(10,109)	2,978	—	(13,207)
Interest expense and minimum royalty accretion	74,456	(378)	618,583	—	692,661
Net loss for the period	\$ (576,904)	\$ (339,119)	\$ (1,182,756)	\$ —	\$ (2,098,779)
<u>As at March 31, 2007</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Total assets	\$10,070,076	\$2,802,240	\$2,447,275	\$ —	\$15,319,591
Capital expenditures	169,829	17,890	11,588	—	199,307
Property, plant and equipment	2,576,252	266,040	50,392	—	2,892,684
Intangible asset	2,252,786	—	—	—	2,252,786

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

14. SEGMENT INFORMATION (Continued)

Three months ended March 31, 2006	Structural products	Licensing	Corporate	Elimination	Consolidated
Revenues	\$ 4,680,662	\$465,894	\$ —	\$(459,422)	\$ 4,687,134
Direct cost of revenues	4,531,341	63,429	—	(155,829)	4,438,941
Contribution margin	149,321	402,465	—	(303,593)	248,193
Expenses before the undernoted	1,312,387	458,498	208,682	(303,593)	1,675,974
Amortization	169,535	18,728	—	—	188,263
Foreign exchange gain	16,994	9,783	23	—	26,800
Interest expense (income)	1,858	—	(6,734)	—	(4,876)
Minimum royalty accretion	73,236	—	—	—	73,236
Net loss for the period	<u>\$(1,424,689)</u>	<u>\$(84,544)</u>	<u>\$(201,971)</u>	<u>\$ —</u>	<u>\$(1,711,204)</u>
As at December 31, 2006	Structural products	Licensing	Corporate	Elimination	Consolidated
Total assets	\$7,680,276	\$4,307,802	\$1,080,592	\$ —	\$13,068,670
Capital expenditures	987,196	54,098	40,563	—	1,081,857
Property, plant and equipment	2,562,251	268,874	39,432	—	2,870,557
Intangible asset	—	2,320,199	—	—	2,320,199

Geographical distribution of revenues is as follows:

	Canada	U.S.	International	Consolidated
Three months ended March 31, 2007	\$3,030,520	\$ 197,671	\$761,107	\$3,989,298
Three months ended March 31, 2006	\$3,563,697	\$1,000,446	\$122,991	\$4,687,134

15. SUBSEQUENT EVENTS

(a) Capital reorganization

Pursuant to a capital reorganization agreement dated April 23, 2007 (“Capital Reorganization Agreement”), holders of Series A, B and C preferred shares agreed to reorganize the share capital of the Company by exchanging their preferred shares for common shares, with holders of Series A and B preferred shares exchanging on a 1 for 2 basis, and Series C preferred shareholders exchanging for common shares on a 1 for 2.5 basis. In addition, the Capital Reorganization Agreement provides for (i) the termination of the Investor Rights Agreement and the Voting Agreement; (ii) an amendment to the Company’s Articles of Incorporation to cancel the Series A, B and C preferred shares and to create a new class of preferred shares (“New Preferred Shares”) in the share capital of the Company; and (iii) in the event that the IPO is not completed, an amendment of the Articles of Incorporation and the completion of such acts as are necessary to reintroduce the rights of the holders of the preferred shares as outlined in note 9(a), such that existing shareholders of the Company are returned to their original position.

The New Preferred Shares are issuable in series and each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, rank on a parity with the New Preferred Shares of every other series and be entitled to a preference and priority over the common shares and over any other shares of the Company ranking junior to the New Preferred Shares. The New Preferred Shares are redeemable at the option of the Company and retractable at the option of the holders, as specified in the Articles of Incorporation of the Company. Other rights, privileges, restrictions, and conditions for each series of New Preferred Shares may be determined by the Board of Directors of the Company.

(b) Options

On April 25, 2007, the Company granted 325,000 options to directors, officers and employees to purchase common shares at an exercise price of \$2.75 per share.

GENESIS WORLDWIDE INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
March 31, 2007

15. SUBSEQUENT EVENTS (Continued)

Also on that date, the Board of Directors approved the modification of vesting terms of 210,000 options previously issued to an officer which had performance based vesting terms. These options, which had performance-based vesting criteria, have been amended to comply with Toronto Stock Exchange requirements as follows:

- (i) 55,000 options will fully vest upon completion of the IPO;
- (ii) 60,000 options vest over three years, commencing January 1, 2007; and
- (iii) 95,000 options vest over four years, commencing January 1, 2007.

The changes under (i) and (ii) will be accounted for as a stock option modification with the stock compensation expense measured in 2007 using \$2.75 per share as the fair value of the common stock on the date of approval of the modification; with respect to (i) the full expense will be recorded in the period the IPO is completed. Prior to this modification, there was no stock compensation expense recorded with respect to these options as performance measures had not been achieved (*note 9(d)*).

On June 21, 2007, the Company granted 55,000 options to employees to purchase common shares at an exercise price of \$2.00 per share.

- (c) On April 27, 2007, the Company notified employees of the closure of the Cambridge, Ontario facility as a result of failure to extend the lease which was to expire May 14, 2007 to beyond June 30, 2007. Management estimates that employment related costs will be incurred of approximately \$300,000 and moving costs of approximately \$150,000. The provision for these costs will be recorded and paid in the second quarter of 2007.

(d) Issuance of common shares and options pursuant to an IPO

Under the terms of an underwriting agreement dated June 25, 2007, the Company agreed to issue 10,000,000 common shares for total proceeds of \$20,000,000. Upon closing, the net proceeds of this issue are estimated at \$15,100,000, net of the estimated issue expenses and underwriters' fees in the aggregate amounting to approximately \$4,900,000.

In connection with the terms of this underwriting agreement, the Company has agreed to grant compensation options entitling the underwriters to acquire from the Company at the offering price, a number of common shares equal to an aggregate of 5% of the number of common shares sold by the Company under this offering for a period of 12 months following the completion of this offering.

In addition, the Company has granted the underwriters an option, exercisable for a period of 30 days from the closing of this offering to purchase up to a total of 1,500,000 additional common shares, being 15% of the number of common shares being sold by the Company under this offering.

AUDITORS' REPORT

To the Directors of Genesis Worldwide Inc.

We have audited the consolidated balance sheets of Genesis Worldwide Inc. as at December 31, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Since we were appointed auditors of the Company during 2005, we were not able to observe the counting of physical inventories at the beginning of 2005 and 2004 nor satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and cash flows, we were unable to determine whether adjustments to cost of revenues, net loss for the year, opening deficit and cash used in operations might be necessary for the years ended December 31, 2005 and 2004.

In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to examine opening inventory quantities for 2005 and 2004, as described in the preceding paragraph, the consolidated statements of loss and deficit and cash flows present fairly, in all material respects, the results of operations and cash flows of the Company for the years ended December 31, 2005 and 2004 in accordance with Canadian generally accepted accounting principles. Further, in our opinion, the consolidated balance sheets, and the consolidated statements of loss and deficit and cash flows present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 27, 2007
(except as to notes 15(a), (b), (c), (d) and (e) which
are as of April 23, 25, 27, June 21 and 25, 2007, respectively).

ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

GENESIS WORLDWIDE INC.
CONSOLIDATED BALANCE SHEETS
(See Basis of Presentation — Note 1)

	As at December 31	
	2006	2005
ASSETS (notes 7 and 8)		
Current		
Cash and cash equivalents (note 3)	\$ 1,011,386	\$ 7,834,887
Accounts receivable, net (notes 10 and 13)	5,626,735	5,648,465
Inventories (note 4)	769,441	1,779,326
Prepaid expenses and deposits	470,352	388,603
Total current assets	7,877,914	15,651,281
Property, plant and equipment (note 5)	2,870,557	2,404,896
Intangible asset (note 6)	2,320,199	2,589,850
	\$ 13,068,670	\$ 20,646,027
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 7)	\$ —	\$ 2,034,410
Accounts payable and accrued liabilities (note 10)	4,744,193	6,229,945
Warrants liability (note 8)	600,000	—
Deferred revenue — current portion (note 10)	2,141,733	1,413,254
Minimum royalty payment obligations (note 6)	23,140	—
Total current liabilities	7,509,066	9,677,609
Long-term		
Deferred revenue (note 10)	—	1,243,838
Debentures due to related parties (notes 8 and 10)	3,190,585	—
Minimum royalty payment obligations (note 6)	1,549,162	1,479,359
Total long-term liabilities	4,739,747	2,723,197
Commitments and contingencies (notes 6, 8 and 11)		
Shareholders' equity		
Capital stock (note 9)	42,174,920	42,174,920
Contributed surplus (note 9(e))	65,293	31,045
Deficit	(41,420,356)	(33,960,744)
Total shareholders' equity	819,857	8,245,221
	\$ 13,068,670	\$ 20,646,027

On behalf of the Board:

(Signed) JOHN GARDNER
Director

(Signed) RALPH STEEDMAN
Director

See accompanying notes

GENESIS WORLDWIDE INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(See Basis of Presentation — Note 1)

	Years ended December 31		
	2006	2005	2004
Revenues (notes 2, 10, 13 and 14)			
Licensing	\$ 3,506,945	\$ 190,070	\$ 167,239
Structural products	16,705,823	16,937,549	26,775,529
Total revenues	20,212,768	17,127,619	26,942,768
Direct cost of revenues			
Licensing	1,731,301	—	—
Structural products	16,153,807	14,926,196	23,296,253
Total direct cost of revenues	17,885,108	14,926,196	23,296,253
	2,327,660	2,201,423	3,646,515
Expenses			
Research and development	1,040,760	946,606	556,080
Selling and marketing	1,340,919	1,207,984	687,431
Engineering and project management	1,368,533	996,043	1,119,702
General and administrative	3,592,071	4,312,337	2,349,370
Occupancy	1,182,459	976,836	880,275
Plant commissioning costs (note 5)	—	231,670	—
	8,524,742	8,671,476	5,592,858
Loss before other expenses	(6,197,082)	(6,470,053)	(1,946,343)
Amortization of property, plant and equipment	616,196	479,573	344,495
Amortization of intangible asset	269,651	106,657	—
Amortization of deferred financing costs	9,965	—	—
Foreign exchange gain	(64,560)	(9,484)	(9,808)
Impairment loss (note 5)	—	—	249,711
Bank interest expense (income), net	78,206	(77,035)	51,687
Minimum royalty accretion	292,943	172,852	—
Debenture and loan interest expense (notes 8 and 10)	60,129	—	129,402
	1,262,530	672,563	765,487
Net loss for the year	(7,459,612)	(7,142,616)	(2,711,830)
Deficit, beginning of year	(33,960,744)	(26,818,128)	(24,106,298)
Deficit, end of year	<u>\$(41,420,356)</u>	<u>\$(33,960,744)</u>	<u>\$(26,818,128)</u>
Net loss per share			
Basic and diluted	<u>\$(0.36)</u>	<u>\$(0.35)</u>	<u>\$(0.23)</u>
Weighted average number of shares			
outstanding (notes 2(o) and 9(c))	<u>20,982,858</u>	<u>20,505,852</u>	<u>11,852,014</u>

See accompanying notes

GENESIS WORLDWIDE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(See Basis of Presentation — Note 1)

	Years ended December 31		
	2006	2005	2004
OPERATING ACTIVITIES			
Net loss for the year	\$(7,459,612)	\$(7,142,616)	\$(2,711,830)
Adjustments for non-cash items			
Amortization of property, plant and equipment and intangible asset	885,847	586,230	344,495
Stock compensation expense	34,248	16,792	9,502
Debenture interest expense accretion (note 8)	23,985	—	—
Amortization of deferred financing costs	9,965	—	—
Impairment loss (note 5)	—	—	249,711
Minimum royalty accretion	292,943	172,852	—
Gain on sale of property, plant and equipment	—	(5,633)	—
	<u>(6,212,624)</u>	<u>(6,372,375)</u>	<u>(2,108,122)</u>
Changes in non-cash working capital balances related to operations			
Accounts receivable, net	21,730	(1,020,136)	952,484
Inventories	1,009,885	(932,289)	681,492
Prepaid expenses and deposits	(81,749)	(275,456)	(38,997)
Accounts payable and accrued liabilities	(1,485,752)	2,356,337	(2,562,047)
Deferred revenue	(515,359)	2,337,617	319,475
Cash used in operating activities	<u>(7,263,869)</u>	<u>(3,906,302)</u>	<u>(2,755,715)</u>
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	(2,034,410)	2,034,410	—
Debt proceeds (notes 8 and 10)	4,000,000	—	—
Debt financing costs (notes 8 and 10)	(243,365)	—	—
Capital stock issued, net of issue costs (note 9(b))	—	4,983,455	11,333,575
Loan received from related party (notes 8 and 10)	—	—	500,000
Loans repaid to related parties (notes 8 and 10)	—	—	(2,500,000)
Cash provided by financing activities	<u>1,722,225</u>	<u>7,017,865</u>	<u>9,333,575</u>
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(1,081,857)	(1,631,539)	(457,967)
Proceeds from sale of property, plant and equipment	—	14,486	—
Additions to intangible asset paid	—	(692,523)	(657,477)
Minimum royalties paid	(200,000)	(40,000)	—
Cash used in investing activities	<u>(1,281,857)</u>	<u>(2,349,576)</u>	<u>(1,115,444)</u>
Net increase (decrease) in cash and cash equivalents during the year	<u>(6,823,501)</u>	<u>761,987</u>	<u>5,462,416</u>
Cash and cash equivalents, beginning of year	7,834,887	7,072,900	1,610,484
Cash and cash equivalents, end of year	<u>\$ 1,011,386</u>	<u>\$ 7,834,887</u>	<u>\$ 7,072,900</u>
Supplemental cash flow information			
Interest paid	\$ 143,669	\$ 51,532	\$ 253,819
Income taxes paid	—	—	—

2005

(a) Non-cash investing activities

The Company capitalized the minimum royalty payments related to a license with an increase to intangible asset and minimum royalty payment obligations of \$1,346,507 (note 6).

2004

(b) Non-cash financing activities

The Company settled the repayment of debt by issuance of preferred shares in the amount of \$1,500,000 (notes 8 and 9(b)).

See accompanying notes

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006, 2005 and 2004

1. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

Genesis Worldwide Inc. and its wholly-owned subsidiaries, KML Limited Partnership, GenesisTP Inc., 6118216 Canada Inc., Light Steel Installation Group Inc., Light Steel Joist Solutions Inc., KML Engineered Homes Ltd. and KML Building Solutions Inc. (collectively, the “Company” or “Genesis”), develops and licenses light steel structural building technologies aimed at the residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures. The Company refers to the licensing of its technologies as the licensing division or licensing business and the application of its technologies to build structural products as the structural products division.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has a history of operating losses and has incurred losses of \$7,459,612, \$7,142,616, and \$2,711,830 and has negative cash flows from operating activities of \$7,263,869, \$3,906,302 and \$2,755,715 for the years ended December 31, 2006, 2005 and 2004, respectively, and has an accumulated deficit at December 31, 2006 of \$41,420,356 (2005 — \$33,960,744). The ability of the Company to continue as a going concern is dependent upon raising additional financing through borrowings or equity financing, such as an initial public offering (“IPO”) of its common shares, generating positive cash flows from its operations, and achieving future profitable operations through the successful ongoing development and licensing of its structural building technologies.

During 2006, the Company obtained financing from existing shareholders under the terms of debentures in the aggregate principal amount of \$6,000,000. The Company plans to raise funds through an IPO of its common shares. The outcome of these matters is dependent on a number of items outside the Company’s control. As a result, there is significant uncertainty as to whether the Company will have the ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements, and these adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the Company’s more significant estimates include those related to the allowance for doubtful accounts, property, plant and equipment, amortization, intangible asset and related amortization, accounts payable and accrued liabilities, revenue and profit recognition related to percentage-of-completion determination and cost estimates in cost of revenues, revenue recognition for license arrangements with multiple elements and stock-based compensation expense. Actual results could differ from those estimates and the differences may be material.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term guaranteed investment certificates with original maturities of 90 days or less at the date of purchase.

(d) Accounts receivable and allowance for doubtful accounts

The Company evaluates the collectibility of its accounts receivable based on a combination of factors. In cases where management is aware of circumstances that may impair a specific customer’s ability to meet its financial obligation to the Company, a specific allowance against the amounts due to the Company is recorded which reduces the net recognized receivable to the amount that management reasonably believes will be collected.

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventories

Inventories of raw materials are valued at the lower of cost (first-in, first-out method) and replacement cost. Inventories of work-in-progress representing panels and trusses in the process of being manufactured are valued at the lower of cost (including appropriate overhead charges) and net realizable value. Completed but unbilled manufactured panels and trusses are recognized as revenue and are recorded in inventory as construction contracts in progress. Inventories also include undelivered equipment relating to licensing arrangements.

(f) Transaction costs

Transaction costs related to debt financing are netted against the carrying value of the liability and then amortized over the term of the debentures of 24 months using the effective interest method.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization commences when the assets are put into use over their estimated useful lives as follows:

Leasehold improvements	10 years straight-line (or the term of the lease whichever is less)
Machinery and equipment	10% straight-line
Motor vehicles	33.33% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	5 years straight-line
Computer software	30% declining balance

(h) Intangible asset

The intangible asset consists of a technology license which is amortized on a straight-line basis over 10 years.

(i) Impairment of long-lived assets

The Company reviews its property, plant and equipment and finite life intangible asset (technology license) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. In the event the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value, determined on a discounted cash flow basis, is charged to the consolidated statements of loss and deficit.

(j) Revenue recognition

Revenue is recognized when earned, specifically when persuasive evidence of an arrangement exists, services and products have been delivered and the sales price or fees are fixed and determinable and collection of proceeds is considered reasonably assured. With respect to construction contracts and certain engineering services contracts, revenue is recognized on the percentage-of-completion basis. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

Construction contracts — Structural Products

Effective from January 1, 2004, revenue from construction contracts is recognized on the percentage-of-completion basis. The percentage-of-completion is determined by actual engineering drawings completed, fabricated panels and trusses manufactured and installation completion estimates based on panels and trusses installed. Amounts earned but unbilled are recorded as construction contracts in progress. Revisions in costs and earnings or loss estimates during the course of the contract are reflected during the period in which the changes in estimates become known. Losses on contracts are recognized in the period in which such losses are known.

Prior to January 1, 2004, the Company recognized revenue on construction contracts using the completed contract method of accounting, whereby all costs and revenues are deferred as construction contracts in progress until contract completion, as the Company did not have the requisite systems to make reasonably dependable estimates required to apply the percentage-of-completion method. Losses on contracts are recognized in the period in which such losses are known.

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

License arrangements

The Company's license arrangements represent multiple-element arrangements which may include any combination of software, technology (generally comprising designs, specifications and documentation), equipment and services (comprising engineering and marketing support). These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition.

These units of accounting or elements may be separated or combined based on the specific terms of the contract and recognized when:

- (i) there is objective and reliable evidence of the fair value of undelivered items;
- (ii) the delivered items have value to the customer on a stand-alone basis; and
- (iii) delivery or performance of the undelivered items is considered probable and substantially in the control of the Company.

The Company's revenue under its license arrangements is recognized as follows:

(a) Software and technology

Revenue is recognized under a particular arrangement when substantially all of the software and technology are delivered to the customer, which is when all significant contractual obligations for these elements have been fulfilled.

(b) Equipment

Revenue from the sale of equipment is recognized when title passes to the customer and the item has value to the customer on a stand-alone basis. Vendor specific objective evidence ("VSOE") of the value is based on third party evidence of pricing.

(c) Services

Revenue from services is recognized as the services are provided to the customer. VSOE is based on third party evidence of rates/pricing used for similar services provided by other companies in the industry.

Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to each component of the arrangement based on the VSOE of fair value of undelivered elements.

Royalty income

Income from royalties is recognized in the period earned based on future sales by licensees. As at December 31, 2006, no royalty income has been recognized.

Other services

Revenue for services, primarily engineering, provided under separate, standalone arrangements, is recognized on the percentage-of-completion basis.

(k) Research and development expenses and investment tax credits

Research and development expenses include all costs incurred to establish technological feasibility and are charged to operations in the period in which they are incurred. The Company does not capitalize any research and development expenses unless criteria for deferral of development costs are met. The Company records the benefit of investment tax credits when recovery is reasonably assured as a reduction of the cost of the assets or expenses to which they relate. The Company has not received any investment tax credits to date.

(l) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary assets and liabilities are translated at exchange rates in effect on the date of the transaction. Revenues and expenses are translated into Canadian dollars at monthly average exchange rates. Resulting exchange gains and losses are included in the consolidated statements of loss and deficit.

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Stock-based compensation

The Company has a Stock Option Plan which is described in note 9(d). The Company records a compensation expense for stock options granted to employees on or after January 1, 2003. Compensation expense for stock options granted to employees is measured at the fair value at the grant date using the minimum value method and charged to operations over the vesting period of the options granted, with a corresponding credit to contributed surplus. Any consideration paid by employees on exercise of stock options is credited to capital stock.

(n) Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(o) Loss per common share

The Company has no common shares issued. Loss per share is computed by dividing net loss for the year by the weighted average number of "in substance" common shares outstanding for the year. For purposes of computing loss per share, the Series A, B and C preferred shares are considered in substance common shares as these shares will be converted into common shares based on their respective conversion ratios prior to the IPO (*note 15(a)*). Diluted loss per common share reflects the dilution that would occur if outstanding stock options and warrants were exercised or converted into common shares using the treasury stock method. Since their inclusion would have an anti-dilutive effect on loss per common share, stock options and warrants are excluded from the computation.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2006	2005
Current bank accounts	\$ 61,386	\$ 63,736
Short-term guaranteed investment certificates	950,000	7,771,151
	\$1,011,386	\$7,834,887

4. INVENTORIES

Inventories consist of the following:

	2006	2005
Raw materials	\$684,681	\$ 721,164
Work-in-progress	11,438	51,295
Construction contracts in progress	73,322	95,443
Equipment to be delivered	—	911,424
	\$769,441	\$1,779,326

Equipment to be delivered represents costs incurred by the Company in connection with its multiple-element license arrangements for the sale of equipment to its licensees and for which revenue had been deferred.

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	2006		
	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$1,951,806	\$1,779,452	\$ 172,354
Machinery and equipment	4,487,448	2,125,316	2,362,132
Motor vehicles	92,446	45,442	47,004
Furniture and fixtures	95,241	40,121	55,120
Computer equipment	346,852	172,746	174,106
Computer software	69,274	37,985	31,289
Construction in progress	28,552	—	28,552
	<u>\$7,071,619</u>	<u>\$4,201,062</u>	<u>\$2,870,557</u>
	2005		
	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$1,810,301	\$1,597,246	\$ 213,055
Machinery and equipment	3,690,478	1,805,497	1,884,981
Motor vehicles	52,216	32,018	20,198
Furniture and fixtures	84,407	22,289	62,118
Computer equipment	311,628	106,331	205,297
Computer software	40,732	21,485	19,247
	<u>\$5,989,762</u>	<u>\$3,584,866</u>	<u>\$2,404,896</u>

In 2005, the Company opened a temporary production plant. Plant commissioning costs incurred of \$231,670 were expensed in the consolidated statements of loss and deficit.

During 2004, the Company assessed that the model homes no longer provided a future benefit to the Company. Accordingly, the remaining net book value of these model homes of \$249,711 was written off and shown as an impairment loss on the consolidated statements of loss and deficit.

6. INTANGIBLE ASSET

Intangible asset consists of the following:

	2006		
	Cost	Accumulated amortization	Net book value
License	<u>\$2,696,507</u>	<u>\$376,308</u>	<u>\$2,320,199</u>
	2005		
	Cost	Accumulated amortization	Net book value
License	<u>\$2,696,507</u>	<u>\$106,657</u>	<u>\$2,589,850</u>

On November 10, 2004, the Company entered into a licensing agreement to acquire an exclusive, non-transferable license to use the licensor's technology for the production and sale of certain steel joist products in Canada and the United States. The license is for an unlimited time and requires the Company to pay fees and royalties. The cost of this license consists of initial cash payments and

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

6. INTANGIBLE ASSET (Continued)

minimum royalties totaling \$2,696,507. The Company commenced amortization in November 2005 when the technology and related systems were completed and available for use.

The Company is required to make royalty payments based on product sales in respect of the technology license acquired. Royalty payments commence six months after the Company's acceptance that the licensor's first product is commercially viable (the First Start Date, which was May 12, 2005). These royalties are subject to minimum payments of \$80,000 and \$150,000 per quarter for the first three-year period and the four through six-year period following November 2005, respectively. Until such date that the Company accepts the licensor's second product as commercially viable (the Second Start Date, which was June 15, 2006), these minimum royalty payments are reduced to 50% of the amount otherwise payable.

The minimum royalty payments have been recorded at their net present value in 2005 as an increase to the intangible asset and a corresponding obligation for minimum royalties of \$1,346,507.

Future minimum royalty payments under the agreement as at December 31, 2006 are approximately as follows:

2007	\$ 320,000
2008	460,000
2009	600,000
2010	600,000
2011	600,000
Future minimum royalty payments	2,580,000
Less amount representing interest at 21%	1,007,698
Present value of minimum royalty payments	1,572,302
Less current portion	23,140
	<u>\$1,549,162</u>

7. BANK INDEBTEDNESS

During 2005 and up to December 6, 2006, the Company had a revolving demand credit facility of \$2,000,000 which was collateralized by a general security agreement constituting a first ranking security interest in all personal property of the Company and subject to certain financial covenants. Interest was payable at the lender's Canadian dollar and United States dollar prime rate plus 1.75%. The effective average interest rate for 2006 was 8.60% for Canadian dollar loans (2005 — 6.17%) and 10.5% for United States dollar loans (2005 — 7.98%). The Company repaid all outstanding amounts and the banking facility was cancelled on December 6, 2006. As at December 31, 2005, \$2,034,410 was utilized on the credit facility.

8. DEBENTURES AND WARRANTS DUE TO RELATED PARTIES

On December 4, 2006, the Company issued debentures of \$4,000,000 to existing shareholders. Subsequent to year end, an additional \$2,000,000 was issued. The debentures are collateralized by a general security agreement granting the debenture holders a first charge over all the assets and undertakings of the Company and pledge of shares of subsidiary companies. The debentures also provide for a specific assignment of all intellectual property; however none have been entered into. The debentures earn interest which is payable monthly at 12.75% per annum and mature at the earliest of (i) 24 months from December 4, 2006; (ii) an IPO, as defined in the debentures; or (iii) immediately prior to a change of control of the Company. The debentures can be prepaid at any time after the first anniversary of December 4, 2006 in specified minimum increments with pre-payment penalty. Upon completion of an IPO, the debenture holders are entitled to a pre-payment penalty equal to the amount of \$120,000 in the aggregate or 2% of the principal amount outstanding.

The debenture agreements contain financial and non-financial covenants which require the Company to maintain a ratio of current assets to current liabilities of at least 1.25:1 as defined in the debenture agreements. Subsequent to year end, the agreements were amended, effective December 31, 2006, to exclude certain liabilities from the computation of the ratio of current assets to current liabilities.

Total financing costs of \$243,365 incurred for the debentures is amortized over the 24-month period of the debentures on the effective yield basis. Amortization expense for 2006 amounted to \$9,965.

In connection with the issuance of the debentures, the Company issued special warrants to the holders of the debentures ("Holders") that are exchangeable for nil consideration into a specified number of share purchase warrants ("Share Purchase Warrants").

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

8. DEBENTURES AND WARRANTS DUE TO RELATED PARTIES (Continued)

Each Share Purchase Warrant entitles the holder to purchase one common share of the Company before the earlier of the fifth anniversary of the IPO of the Company's shares (or similar liquidity event) or immediately before a change of control.

The number of Share Purchase Warrants to be issued will be determined by a formula that provides the Holders with the opportunity to purchase within the next eighteen months the number of common shares equal to \$1,800,000, divided by the exercise price of \$2.15385, determined in accordance with terms of the Share Purchase Warrants, for a total of 835,712 common shares.

In management's view, it is likely that the next financing will raise \$5,000,000 or more at a per share value that will be greater than the conversion price for the Series C preferred shares. Consequently, under the formula as defined in the agreement, this creates an obligation for the Company to provide consideration of a fixed value payable in equity instruments to the Holders of \$600,000. This has been recorded as a warrant liability, since the Holders do not have a residual interest in the Company until they receive the common shares, as the number of common shares, to be received is variable.

The remaining balance of the proceeds of \$3,400,000 is recorded as a debenture liability. This balance is accreted over the 24-month period of the debenture on an effective yield basis, resulting in debenture interest accretion expense of \$23,985 for 2006 and a debenture liability balance of \$3,423,985 at December 31, 2006.

In the event of a change of control, the Share Purchase Warrants may also be exercised for a non-interest bearing secured demand promissory note immediately due and payable at their intrinsic value. This amount is estimated at either \$600,000 or \$771,429, depending on future events as defined in the agreements.

At December 31, 2003, the Company had an outstanding loan of \$2,000,000 from a shareholder. During 2004, the Company obtained a loan of \$500,000 from another shareholder. The Company settled these loans from the proceeds of shares issued in 2004. In addition, during 2004 the Company borrowed \$1,500,000 by way of a convertible debenture that was converted in 2004 into Series C preferred shares (*note 9(b)*). Interest expense incurred in 2004 in respect of these loans amounted to \$129,402.

9. CAPITAL STOCK

(a) The Company's capital stock consists of the following:

	2006		
	Authorized #	Issued #	\$
Series A preferred shares, voting, convertible	4,616,430	4,616,430	21,974,559
Series B preferred shares, voting, convertible	1,000,000	1,000,000	3,883,331
Series C preferred shares, voting, convertible	3,899,999	3,899,999	16,317,030
Common shares	Unlimited	—	—
			\$42,174,920
	2005		
	Authorized #	Issued #	\$
Series A preferred shares, voting, convertible	4,616,430	4,616,430	21,974,559
Series B preferred shares, voting, convertible	1,000,000	1,000,000	3,883,331
Series C preferred shares, voting, convertible	3,899,999	3,899,999	16,317,030
Common shares	Unlimited	—	—
			\$42,174,920

The significant terms of the Series A, B and C issued preferred shares are as follows:

- Redemption — there are no redemption rights attached to the preferred shares.
- Conversion — preferred shares and any declared but unpaid dividends are convertible at any time into common shares at prescribed conversion rates for each of Series A, B and C preferred shares with the Series C preferred shares containing multiplier rights to receive additional common shares as specified in the Company's Articles of Incorporation (*note 15(a)*).

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

9. CAPITAL STOCK (Continued)

- Liquidation — Series A, B and C preferred shares have liquidation preferences at prescribed amounts per share, with Series C shares containing multiplier rights for additional preferences.
- Dividends — dividends on the Series A, B and C preferred shares are payable when declared by the Board of Directors. Dividends for Series C preferred shares must be first paid or declared and set apart on a proportionate basis as if they were converted into common shares, before dividends or other distributions can be made for Series A and B preferred shares and any common shares.
- Anti-dilution — Series B and C preferred shares are protected to prevent dilution. Should a transaction result in a potential dilution of the Series B and C preferred shares, the conversion price of Series B and C preferred shares would be reduced to prevent such a dilution at conversion.
- Voting rights — holders of preferred shares have votes equal to the number of shares issuable upon conversion to common shares. Fractional voting rights are available on an as if converted basis rounded to the nearest whole number. The Articles of Incorporation also outline the number of Board Directors that can be appointed by each of the Series A, B and C preferred shareholders.
- Other rights — holders of preferred shares have rights to receive information and have protection provisions requiring their approval on various matters, including liquidation and dividend declarations and key business matters, as outlined in the Articles of Incorporation.

- (b) No shares were issued by the Company during 2006. In 2005, the Company issued 1,160,714 Series C preferred shares for net cash consideration of \$4,983,455 comprising gross consideration of \$5,000,000 less related legal and issuance expenses of \$16,545. During 2004, the Company issued 2,321,428 Series C preferred shares for cash consideration of \$10,000,000. In addition, a debenture holder exercised its option to convert the indebtedness of \$1,500,000 owing to it by the Company into 348,214 Class C preferred shares and exercised its warrant to obtain an additional 69,643 Class C preferred shares. Share issuance costs of \$166,425 were charged as a reduction of share capital.

In 2004, the Company amended its Articles of Incorporation to:

- (i) Consolidate the 18,465,720 previously issued and outstanding Series A preferred shares into 4,616,430 fully paid and non-assessable Series A preferred shares and consolidate 4,000,000 previously issued and outstanding Series B preferred shares into 1,000,000 fully paid and non-assessable Series B preferred shares; and
 - (ii) Create a new class of shares designated as Series C preferred shares with the authorized number of shares limited to 3,899,999.
- (c) The Company's capital stock outstanding as at the year end as disclosed in note 9(a), does not reflect the capital reorganization whereby the Series A, B and C preferred shares were exchanged for common shares (*note 15(a)*).

The weighted average number of common shares outstanding for purposes of computing the loss per share is based on the in substance common shares outstanding, as common shares are not issued. Once the preferred shares have been exchanged for common shares pursuant to the capital reorganization (*note 15(a)*) for purposes of computing loss per share, the preferred shares are deemed to be common share equivalents and have been adjusted to give effect to the exchange ratios of 2-for-1 for the Series A and B preferred shares and 2.5-for-1 in the case of the Series C preferred shares for all historical periods presented as follows:

<u>Preferred shares</u>	<u>Exchange Ratio</u>	<u>Common share equivalents</u>		
		<u>2006</u>	<u>2005</u>	<u>2004</u>
Series A	1:2	9,232,860	9,232,860	9,232,860
Series B	1:2	2,000,000	2,000,000	2,000,000
Series C	1:2.5	9,749,998	9,749,998	6,848,212
		20,982,858	20,982,858	18,081,072
Weighted average		20,982,858	20,505,852	11,852,014

(d) Stock Option Plan

The Stock Option Plan is intended to attract, retain and motivate directors, officers and salaried employees. Options are granted based on the position of the incumbent with an exercise price equal to the fair market value of the underlying common shares at the date of grant of the options. The terms or value of the award are determined by the Compensation Committee of the

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

9. CAPITAL STOCK (Continued)

Company's Board of Directors at the time of grant, and options must be exercised during a period established by the Company, which currently is 10 years from the date of grant. The options' vesting schedules are based on time periods ranging from three to four years from the date of grant and, for one executive, also based on the Company achieving specified financial performance milestones. These milestones have not been met and, accordingly, none of these options have vested as at December 31, 2006 (note 15(b)).

The total number of options issuable under the Stock Option Plan is 1,250,000 common shares. There were 1,100,587 options issued under the Company's Stock Option Plan as at December 31, 2006 (2005 — 713,087 options issued).

The following table presents information concerning stock options granted to employees by the Company:

	2006		2005		2004	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of year	713,087	\$0.69	250,087	\$0.40	250,087	\$0.40
Granted	465,000	0.82	466,000	0.84	—	—
Exercised	—	—	—	—	—	—
Forfeited	(77,500)	0.84	(3,000)	0.50	—	—
Outstanding, end of year	<u>1,100,587</u>	<u>\$0.73</u>	<u>713,087</u>	<u>\$0.69</u>	<u>250,087</u>	<u>\$0.40</u>
Exercisable, end of year	<u>236,441</u>	<u>\$0.48</u>	<u>125,044</u>	<u>\$0.40</u>	<u>62,522</u>	<u>\$0.40</u>

The following table summarizes information about the Company's outstanding stock options as at December 31, 2006:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.40 to \$0.50	293,087	6.78	\$0.41	198,316	\$0.41
\$0.80	375,000	9.46	0.80	—	—
\$0.88 to \$0.90	432,500	8.85	0.89	38,125	0.89
	<u>1,100,587</u>	<u>8.51</u>	<u>\$0.73</u>	<u>236,441</u>	<u>\$0.48</u>

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

9. CAPITAL STOCK (Continued)

The estimated weighted average fair value of options granted in 2006 was \$0.29 (2005 — \$0.26) per share based on the date of grant using the minimum value option pricing model with the following assumptions:

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	3.9% — 4.6%	3.2% — 3.9%
Assumed expected life of the options	10 years	10 years
Dividend yield	nil	nil

The amount of compensation cost related to granted options recognized in the consolidated statements of loss and deficit and credited to contributed surplus for the year ended December 31, 2006 was \$34,248 (2005 — \$16,792; 2004 — \$9,502).

(e) Contributed surplus

The change in contributed surplus during the years is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$31,045	\$14,253	\$ 4,751
Stock-based compensation expense related to employee stock options (<i>note 9(d)</i>)	34,248	16,792	9,502
Balance, end of year	<u>\$65,293</u>	<u>\$31,045</u>	<u>\$14,253</u>

10. RELATED PARTIES

Revenues earned in 2006 from a shareholder of the Company in connection with license arrangements, at the exchange amount agreed upon between the parties, amounted to \$1,956,202 (2005 and 2004 — nil). Advances and fees received and recorded as deferred revenue as at December 31, 2006 amounted to nil (2005 — \$1,913,400). The Company previously had an alliance arrangement with this shareholder and earned revenue during the year of nil (2005 — \$60,000; 2004 — \$60,000).

Another shareholder has a business relationship as a contract customer of the Company with regular credit terms. Revenues earned during 2006 at the exchange amount agreed upon between the parties is \$1,696,052 (2005 — \$285,912; 2004 — \$2,054) and the amount included in accounts receivable as at December 31, 2006 is \$378,494 (2005 — \$71,942). The Company has also entered into a commercial property lease with this shareholder on December 21, 2006 for a period of 10 years commencing January 1, 2007 for an annual minimum base rent of \$727,040. The Company is also liable for additional rent for operating costs, utilities and taxes.

During 2004, the Company obtained and repaid loans from related parties (*note 8*) and incurred interest expense of \$129,402.

During 2006, the Company borrowed \$4,000,000 by way of debentures and also issued warrants (*note 8*) to certain existing shareholders. Expenses related to this financing at the exchange amount agreed upon between the parties comprise interest due to the lenders of \$36,144, accretion expense of \$23,985 and commitment fees of \$180,000, included in total financing costs of \$243,365 (*note 8*).

11. COMMITMENTS AND CONTINGENCIES

(a) In the ordinary course of business, the Company has entered into various operating lease agreements for premises and equipment. Lease commitments required for the next five years and thereafter are outlined below. In addition, the Company is required to pay realty taxes and maintenance costs for the leased premises.

	<u>Property leases</u>	<u>Equipment leases</u>	<u>Total</u>
2007	\$1,044,500	\$118,653	\$1,163,153
2008	1,045,275	54,879	1,100,154
2009	1,045,275	33,620	1,078,895
2010	983,815	8,405	992,220
2011	963,328	—	963,328
Thereafter	4,816,639	—	4,816,639

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

11. COMMITMENTS AND CONTINGENCIES (Continued)

(b) In the normal course of operations, the Company is subject to lawsuits and claims. Significant claims are as follows:

- A counterclaim against the Company was filed in July 2006 for approximately \$831,000 in connection with the Company's claims for approximately \$2.1 million against a customer with respect to contract services and materials provided by the Company. Another counterclaim against the Company was filed in November 2006 for approximately \$301,000 also in connection with the Company's claim for approximately \$409,146 against a customer with respect to contract services and materials provided by the Company. A statement of defence to the counterclaims was filed in January 2007. Both matters are before the Ontario Superior Court of Justice.
- The Company also received a demand letter dated January 11, 2007 for \$1.2 million from a customer in connection with its retrofitting required for a project in which the Company was involved. The Company believes that the claim has no merit.

It is the opinion of management that the final determination of these lawsuits and claims will not have a material adverse effect on the financial position or results of operations of the Company.

(c) The Board of Directors implemented a Management Carve Out Agreement in November 2004 between Series A, B and C preferred shareholders and management option holders.

Under the terms of this agreement, option holders would be entitled to a management bonus based on their pro-rata share of options outstanding in the event of a sale of the Company by all of the preferred shareholders. The bonus is only payable if the purchase price of the Company is between \$40,000,000 and \$72,000,000. The bonus reaches a maximum value of \$2,000,000 at a selling price of \$50,000,000 for the Company. No amounts are recorded in the accompanying consolidated financial statements. The Company has taken steps to terminate this agreement.

(d) The Company has outstanding capital commitments at December 31, 2006 for equipment of \$116,651.

12. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities as at December 31 are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Future tax assets			
Capital assets and other	\$ 828,000	\$ 700,000	\$ 532,000
Non-capital losses	<u>6,379,000</u>	<u>4,243,000</u>	<u>1,643,000</u>
Total future tax assets	<u>7,207,000</u>	<u>4,943,000</u>	<u>2,175,000</u>
Less valuation allowance	<u>(7,207,000)</u>	<u>(4,943,000)</u>	<u>(2,175,000)</u>
Net future tax assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The reconciliation of income taxes at the statutory rate to income tax expense is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income tax recovery at statutory rate (34%)	\$(2,536,268)	\$(2,428,489)	\$(922,022)
Increase in income taxes resulting from the following			
Financing fees	79,300	7,780	—
Benefit of losses not recognized	<u>2,456,968</u>	<u>2,420,709</u>	<u>922,022</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2006, the Company has accumulated Canadian non-capital losses of approximately \$18,761,000 available for carryforward to be applied against taxable income in future years. Of these non-capital losses, \$680,000 will expire in 2010, \$3,871,000 in 2014, \$6,981,000 in 2015 and \$7,229,000 in 2026.

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

13. FINANCIAL INSTRUMENTS

Fair values

The estimated fair values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these financial instruments. The fair value of long-term financial instruments approximate their carrying values as interest rates approximate market rates.

Currency risk

A significant number of the Company's transactions are recorded in U.S. dollars and, as such, is exposed to price risk due to fluctuations in foreign exchange rates. Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities include balances in this currency at year end.

Interest rate risk

Interest on the Company's debentures is fixed. The Company is exposed to the risk of changing interest rates for cash and cash equivalents held, impacting interest income.

Credit risk and customer concentration

Concentration of credit risk arises when a group of customers having similar characteristics such that their ability to meet their obligations are expected to be affected similarly by changes in economic or other conditions. For the Company, significant concentrations of credit risk are related to the construction industry.

At December 31, 2006, 2 customers (2005 — 1) individually represented more than 10% of the total accounts receivable balances and collectively accounted for 41% (2005 — 20%) of the total accounts receivable balance. At December 31, 2006, 1 customer (2005 — 1; 2004 — 1) individually represented more than 10% of revenues and accounted for 21% of the total revenues in 2006 (2005 — 16%; 2004 — 30%).

14. SEGMENT INFORMATION

The Company's business activities are conducted through two operating segments, in addition to centralized corporate services. All intersegment transactions are measured at the exchange amounts.

Structural products

The structural products segment consists of a customized panelization facility and a light steel joist facility, both located in the Greater Toronto Area. Both facilities produce engineered components used in the construction of light steel residential and commercial buildings.

Licensing

The licensing segment develops and licenses light steel structural building technology solutions for residential and commercial markets. The Company develops software applications, creates light steel products and provides equipment specifications to market, sell, engineer, fabricate and install light steel structures through its own locations as well as through licensees. Operating activities consist of ongoing development of licensing and the application of technologies. At the end of the latest fiscal year, the Company had established

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

14. SEGMENT INFORMATION (Continued)

licensing arrangements with four licensees based in North America and internationally. The Company continues to develop relationships with potential licensees around the world.

<u>Year ended December 31, 2006</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenue	\$16,705,823	\$4,359,024	\$ —	\$ (852,079)	\$20,212,768
Direct cost of revenues	16,153,807	1,736,501	—	(5,200)	17,885,108
Contribution margin	552,016	2,622,523	—	(846,879)	2,327,660
Expenses before the undernoted	5,172,718	2,698,903	1,500,000	(846,879)	8,524,742
Amortization	544,483	349,388	1,941	—	895,812
Foreign exchange gain	(44,710)	671	(20,521)	—	(64,560)
Interest income	—	—	(64,882)	—	(64,882)
Interest expense and minimum royalty accretion	16,831	295,232	184,097	—	496,160
Net loss for the year	<u>\$ (5,137,306)</u>	<u>\$ (721,671)</u>	<u>\$ (1,600,635)</u>	<u>—</u>	<u>\$ (7,459,612)</u>

<u>As at December 31, 2006</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Total assets	\$7,680,276	\$4,307,802	\$1,313,992	\$ —	\$13,302,070
Capital expenditures	987,196	54,098	40,563	—	1,081,857
Property, plant and equipment	2,562,251	268,874	39,432	—	2,870,557
Intangible asset	—	2,320,199	—	—	2,320,199

<u>Year ended December 31, 2005</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenue	\$16,937,549	\$ 495,926	\$ —	\$ (305,856)	\$17,127,619
Direct cost of revenues	14,926,196	—	—	—	14,926,196
Contribution margin	2,011,353	495,926	—	(305,856)	2,201,423
Expenses before the undernoted	5,151,549	2,825,910	999,873	(305,856)	8,671,476
Amortization	421,996	164,071	163	—	586,230
Foreign exchange gain	24,170	(33,650)	(4)	—	(9,484)
Interest income	—	—	(122,625)	—	(122,625)
Interest expense and minimum royalty accretion	38,851	179,591	—	—	218,442
Net loss for the year	<u>\$ (3,625,213)</u>	<u>\$ (2,639,996)</u>	<u>\$ (877,407)</u>	<u>—</u>	<u>\$ (7,142,616)</u>

<u>As at December 31, 2005</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Total assets	\$8,554,779	\$4,270,744	\$7,820,504	\$ —	\$20,646,027
Capital expenditures	1,412,468	218,099	972	—	1,631,539
Property, plant and equipment	2,109,573	294,513	810	—	2,404,896
Intangible asset	—	2,589,850	—	—	2,589,850

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

14. SEGMENT INFORMATION (Continued)

<u>Year ended December 31, 2004</u>	<u>Structural products</u>	<u>Licensing</u>	<u>Corporate</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenue	\$26,775,529	\$ 167,239	\$ —	\$ —	\$26,942,768
Direct cost of revenues	23,296,253	—	—	—	23,296,253
Contribution margin	3,479,276	167,239	—	—	3,646,515
Expenses before the undernoted	5,159,248	353,593	80,017	—	5,592,858
Amortization	331,784	12,711	—	—	344,495
Foreign exchange gain	(9,808)	—	—	—	(9,808)
Interest income	—	—	(9,167)	—	(9,167)
Impairment loss	—	249,711	—	—	249,711
Interest expense	189,819	437	—	—	190,256
Net loss for the year	<u>\$(2,191,767)</u>	<u>\$(449,213)</u>	<u>\$(70,850)</u>	<u>—</u>	<u>\$(2,711,830)</u>

Geographical distribution of revenues is as follows:

<u>Year ended December 31</u>	<u>Canada</u>	<u>U.S.</u>	<u>International</u>	<u>Consolidated</u>
2006	\$15,780,863	\$2,886,375	\$1,545,530	\$20,212,768
2005	\$16,668,599	\$ 433,730	\$ 25,290	\$17,127,619
2004	\$26,942,768	\$ —	\$ —	\$26,942,768

15. SUBSEQUENT EVENTS

(a) Capital reorganization

Pursuant to a capital reorganization agreement dated April 23, 2007 (“Capital Reorganization Agreement”), holders of Series A, B and C preferred shares agreed to reorganize the share capital of the Company by exchanging their preferred shares for common shares, with holders of Series A and B preferred shares exchanging on a 1 for 2 basis, and Series C preferred shareholders exchanging for common shares on a 1 for 2.5 basis. In addition, the Capital Reorganization Agreement provides for (i) the termination of the Investor Rights Agreement and the Voting Agreement; (ii) an amendment to the Company’s Articles of Incorporation to cancel the Series A, B and C preferred shares and to create a new class of preferred shares (“New Preferred Shares”) in the share capital of the Company; and (iii) in the event that the IPO is not completed, an amendment of the Articles of Incorporation and the completion of such acts as are necessary to reintroduce the rights of the holders of the preferred shares as outlined in note 9(a), such that existing shareholders of the Company are returned to their original position.

The New Preferred Shares are issuable in series and each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, rank on a parity with the New Preferred Shares of every other series and be entitled to a preference and priority over the common shares and over any other shares of the Company ranking junior to the New Preferred Shares. The New Preferred Shares are redeemable at the option of the Company and retractable at the option of the holders, as specified in the Articles of Incorporation of the Company. Other rights, privileges, restrictions, and conditions for each series of New Preferred Shares may be determined by the Board of Directors of the Company.

(b) Options

On April 25, 2007, the Company granted 325,000 options to directors, officers and employees to purchase common shares at an exercise price of \$2.75 per share.

Also on that date, the Board of Directors approved the modification of vesting terms of 210,000 options previously issued to an officer which had performance based vesting terms. These options, which had performance-based vesting criteria, have been amended to comply with Toronto Stock Exchange requirements as follows:

- (i) 55,000 options will fully vest upon completion of the IPO;
- (ii) 60,000 options vest over three years, commencing January 1, 2007; and

GENESIS WORLDWIDE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2006, 2005 and 2004

15. SUBSEQUENT EVENTS (Continued)

(iii) 95,000 options vest over four years, commencing January 1, 2007.

The changes under (i) and (ii) will be accounted for as a stock option modification with the stock compensation expense measured in 2007 using \$2.75 per share as the fair value of the common stock on the date of approval of the modification; with respect to (i) the full expense will be recorded in the period the IPO is completed. Prior to this modification, there was no stock compensation expense recorded with respect to these options as performance measures had not been achieved (*note 9(d)*).

(c) On April 27, 2007, the Company notified employees of the closure of the Cambridge, Ontario facility as a result of failure to extend the lease which was to expire May 14, 2007 to beyond June 30, 2007. Management estimates that employment related costs will be incurred of approximately \$300,000 and moving costs of approximately \$150,000. The provision for these costs will be recorded and paid in the second quarter of 2007.

(d) On June 21, 2007, the Company granted 55,000 options to employees to purchase common shares at an exercise price of \$2.00 per share.

(e) Issuance of common shares and options pursuant to an IPO

Under the terms of an underwriting agreement dated June 25, 2007, the Company agreed to issue 10,000,000 common shares for total proceeds of \$20,000,000. Upon closing, the net proceeds of this issue are estimated at \$15,100,000, net of the estimated issue expenses and underwriters' fees in the aggregate amounting to approximately \$4,900,000.

In connection with the terms of this underwriting agreement, the Company has agreed to grant compensation options entitling the underwriters to acquire from the Company at the offering price, a number of common shares equal to an aggregate of 5% of the number of common shares sold by the Company under this offering for a period of 12 months following the completion of this offering.

In addition, the Company has granted the underwriters an option, exercisable for a period of 30 days from the closing of this offering to purchase up to a total of 1,500,000 additional common shares, being 15% of the number of common shares being sold by the Company under this offering.

CERTIFICATE OF GENESIS WORLDWIDE INC.

Dated: June 25, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act*, 1988 (Saskatchewan), Part VII of the *Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part 6 of the *Securities Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

By: (Signed) VINCE MIFSUD
President and
Chief Executive Officer

By: (Signed) PAUL KROETSCH
Vice President, Finance,
Chief Financial Officer and Secretary

On behalf of the Board of Directors

By: (Signed) TIMOTHY ARMSTRONG
Director

By: (Signed) RALPH STEEDMAN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 25, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of The *Securities Act*, 1988 (Saskatchewan), Part VII of The *Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part 6 of the *Securities Act* (New Brunswick), Section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

CANACCORD CAPITAL CORPORATION

By: (Signed) JEAN-YVES BOURGEOIS

CIBC WORLD MARKETS INC.

By: (Signed) CHRISTOPHER T. FOLAN

TD SECURITIES INC.

By: (Signed) SANJAY NAKRA