



Interim Consolidated Financial Statements

Genesis Worldwide Inc.

March 31, 2010

[unaudited]

These interim consolidated financial statements have not been reviewed by the Company's auditors.

Genesis Worldwide Inc.**CONSOLIDATED BALANCE SHEET**See Note 1 - Basis of Presentation and Going Concern Uncertainty
(unaudited)

As at March 31

	As at March 31 2010	As at December 31 2009
	\$	\$
ASSETS		
Current		
Cash	24,126	72,247
Cash held in trust	—	100,000
Restricted cash <i>[note 7]</i>	500,000	500,000
Accounts receivable <i>[notes 3 and 9]</i>	1,734,761	2,818,204
Inventory <i>[note 4]</i>	277,834	346,219
Prepaid expenses	206,080	255,719
Total current assets	2,742,801	4,092,389
Mortgage receivable <i>[note 3]</i>	432,908	432,908
Property, plant and equipment	2,060,936	2,232,604
Intangible assets <i>[note 5]</i>	19,133	1,015,101
	5,255,778	7,773,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	6,338,109	6,505,840
Term loan - current portion <i>[note 7]</i>	894,177	991,587
Deferred revenue	840,594	847,964
Minimum royalty payment obligations <i>[note 5]</i>	266,190	682,548
Total current liabilities	8,339,070	9,027,939
Long-term		
Minimum royalty payment obligations <i>[note 5]</i>	—	578,058
Total long-term liabilities	—	578,058
Commitments and contingencies <i>[note 1]</i>		
Shareholders' equity		
Capital stock <i>[note 8]</i>	61,690,108	61,114,911
Contributed surplus <i>[note 8]</i>	1,815,400	1,842,492
Deficit	(66,588,800)	(64,790,398)
Total shareholders' equity	(3,083,292)	(1,832,995)
	5,255,778	7,773,002

See accompanying notes

On behalf of the Board:

(Signed) Alan MacQuoid
Director(Signed) Brad Baker
Director

Genesis Worldwide Inc.

**CONSOLIDATED STATEMENTS OF LOSS,
COMPREHENSIVE LOSS AND DEFICIT**

See Note 1 - Basis of Presentation and Going Concern Uncertainty
(unaudited)

	Three months ended	
	March 31 2010	March 31 2009
	\$	\$
Revenues [note 9]		
Licensing	191,097	2,225,533
Structural products	773,988	2,653,104
Total revenues	965,085	4,878,637
Direct cost of revenues		
Licensing	14,418	1,475,668
Structural products	872,066	2,098,291
Total direct cost of revenues	886,484	3,573,959
	78,601	1,304,678
Expenses (other income)		
Research and development	62,718	199,544
SR&ED tax credit [note 6]	—	(50,000)
Selling and marketing	291,548	301,554
Engineering and project management	220,060	263,427
General and administrative [note 3]	782,169	693,206
Occupancy	320,772	350,694
	1,677,267	1,758,425
Loss before other expenses	(1,598,666)	(453,747)
Amortization of property, plant and equipment	171,668	233,106
Amortization of intangible assets	1,551	69,956
Foreign exchange gain	(26,738)	27,591
Loss on disposal of property, plant and equipment	—	4,543
Bank interest expense and penalty charges	37,845	32,731
Minimum royalty accretion [note 5]	—	66,141
Term loan and debenture interest expense [note 7]	15,410	57,110
	199,736	491,178
Net loss and comprehensive loss for the period	(1,798,402)	(944,925)
Deficit, beginning of period	(64,790,398)	(53,271,129)
Deficit, end of period	(66,588,800)	(54,216,054)
Loss per share		
Basic and diluted	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding	51,575,009	30,982,858

See accompanying notes

Genesis Worldwide Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

See Note 1 - Basis of Presentation and Going Concern Uncertainty

(unaudited)

	Three months ended	
	March 31 2010	March 31 2009
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(1,798,402)	(944,925)
Adjustments for non-cash items		
Amortization of property, plant and equipment and intangible assets	173,219	303,062
Loss on disposal of property, plant and equipment	—	4,543
Stock-based compensation expense (recovery)	(27,092)	36,423
Unrealized foreign exchange loss	—	742
Minimum royalty accretion <i>[note 5]</i>	—	66,141
	<u>(1,652,275)</u>	<u>(534,014)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	1,083,443	502,579
Inventory	68,385	649,975
Prepaid expenses	49,639	15,455
Accounts payable and accrued liabilities	(167,730)	31,970
Deferred revenue	(7,370)	(1,676,770)
Cash held in trust	100,000	—
Cash used in operating activities	<u>(525,908)</u>	<u>(1,010,805)</u>
FINANCING ACTIVITIES		
Debt proceeds	—	1,497,165
Repayment on term loan <i>[note 7]</i>	(97,410)	(136,726)
Changes in long-term liability	—	76,937
Common stock issued	575,197	—
Cash provided by financing activities	<u>477,787</u>	<u>1,437,376</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	—	(34,491)
Disposals of property, plant and equipment	—	33,515
Additions to intangible assets	—	(19,866)
Minimum royalties paid <i>[note 5]</i>	—	(150,000)
Cash used in investing activities	<u>—</u>	<u>(170,842)</u>
Net increase (decrease) in cash during the period	(48,121)	255,729
Cash, beginning of period	72,247	167,064
Cash, end of period	<u>24,126</u>	<u>422,793</u>
Supplemental cash flow information		
Interest paid	15,410	28,853

See accompanying notes

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Notes To Interim Consolidated Financial Statements

[unaudited]

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1. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

Genesis Worldwide Inc. (“Genesis” or the “Company”), together with its subsidiaries, develops and licenses light steel structural building systems and solutions aimed at the global residential, commercial and institutional building markets. Genesis offers a turn-key solution enabling its customers and partners 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 Company’s operating activities consist of the ongoing development, licensing and application of its technologies through the licensing and structural products divisions. 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. It is anticipated that, in the future, the licensing division would derive a majority of its revenue through its participation in various joint venture relationships that are currently under negotiation (see note 11).

While the accompanying interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are material uncertainties related to certain adverse conditions and events that cast substantial doubt on the validity of this assumption. The Company has not yet realized consistent profitable operations and continues to use cash to fund its operations. The Company’s ability to continue as a going concern is dependent, inter alia, on the following matters: (i) securing financing to fund its immediate short-term operating requirements; (ii) actively managing its working capital and liquidity; and (iii) retaining staff generally. At present, the success of these initiatives cannot be assured due to certain material uncertainties and hence the appropriateness of the use of accounting principles applicable to a going concern.

The first material uncertainty is the ability of the Company to secure financing to fund its immediate short-term operating requirements. If the Company is unable to raise additional capital in the immediate future, the Company does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. Additional funding may be in the form of debt or equity, or a hybrid instrument, depending on the needs of the investor. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not able to secure additional immediate financing to fund its short-term operating requirements, the Company may be forced to discontinue operations.

The second material uncertainty is the ability of the Company to manage its working capital and liquidity. The Company has continued to incur losses and has cumulative losses and a working capital deficiency of \$66,588,800 and \$5,596,269, respectively, as at March 31, 2010. As at March 31, 2010, KML Engineered Homes Ltd. (“KML”), a subsidiary of the Company, was in default on its secured non-revolving term loan agreement (see note 7) due to the following: (i) On October 2, 2009, the Company received notification that the Ontario Ministry of Revenue (the “Ministry”) had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$633,978 of unremitted sales taxes owing. Subsequent to October 2, 2009, KML entered into an

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agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company had received a letter of tolerance from its non-bank Canadian lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the balance due to the Ministry and has remitted payments in accordance with the agreement with the Ministry up to December 31, 2009. For the period beginning January 1, 2010, the Company has not remitted payments per the agreement with the Ministry. Furthermore, during the quarter ended March 31, 2010, the Company was audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicated an additional amount owing, including interest of \$727,032. The Company accrued the amount of \$727,032 as at December 31, 2009; and, (ii) as at December 31, 2009, the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 as at June 30, 2010. As at March 31, 2010, the Company did not achieve the current ratio of 1:1. Accordingly, the full amount owing of \$894,177 as at March 31, 2010 has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to March 31, 2010, the Company received a demand letter from the lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the expiration of the ten day cure period, Codding Enterprises L.P., a current shareholder of the Company (the "Potential Buyer"), initiated discussions with the lender to potentially purchase the term loan. As a result, the Potential Buyer has agreed, subject to customary closing conditions, to purchase the term loan. The parties are in the process of completing final documentation. The Potential Buyer has expressed its desire to modify the term loan in several ways, including a reduction in the monthly loan payments, and removal of certain restrictive covenants. On January 11, 2010, the Company received a termination notice from Best Joist Inc. ("Licensor" or "BJI") in regards to the 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 (see note 5). The Company is currently in discussions with the Licensor regarding the amounts owing upon termination. The Company will continue to use the license in order to complete production as it relates to orders that were in backlog at the termination date. In addition, the Company has begun the process of exploring alternative technology as it relates to the production of steel joist products. During the quarter ended March 31, 2010, due to the termination notice, an entry was made to reduce the minimum royalty obligation and intangible asset amount. The Company's liquidity issues and its default under the BJI license agreement may impair the Company's ability to execute its business plan, and may result in the reduction of sales and marketing efforts and the foregoing of attractive business opportunities. There are also uncertainties related to the timing and use of the Company's cash resources and working capital requirements. Due to these and other factors, many of which are outside of the Company's control, the Company may not be able to accurately predict necessary cash expenditures or obtain financing in a timely manner to cover any shortfalls.

The third material uncertainty is the ability of the Company to retain staff generally to continue to operate. On November 16, 2009, each of the Company's operating segments implemented short-term layoffs of personnel in order to preserve cash. A total of 47 personnel were laid-off (36 in the structural products segment, 9 in the licensing segment and 2 in the corporate head office). During the quarter

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ended March 31, 2010, the Company recalled 2 employees (1 in the structural products segment and 1 in the licensing segment), and the Company continued with intermittent short-term layoffs of 17 employees (in the structural products segment). All remaining employees that were not recalled, or not part of the current short-term layoffs, have either resigned from the Company, or their employment with the Company was terminated during the quarter ended March 31, 2010. The total amount of notice and severance due to the employees that have been terminated totals \$80,000 and was recorded during the quarter ended March 31, 2010. As part of the Manazil transaction (see note 11), the Company transferred three employees as at March 31, 2010, and one employee subsequent to March 31, 2010, to the Manazil joint venture. The employees that transferred to Manazil included Maged Mostafa; the former Chief Operating Officer of the Company's licensing division. Due to the immediate liquidity crisis facing the Company, there is substantial doubt as to the Company's ability to continue to carry out day-to-day management decisions and operate as a going concern.

These interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption was not appropriate for the consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities, reported expenses and balance sheet classifications; such adjustments could be material. The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the years presented.

2. ADOPTION OF RECENT CANADIAN ACCOUNTING STANDARDS IN 2010

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will replace current Canadian Generally Accepted Accounting Principles ("GAAP"). Companies will be required to provide comparative IFRS information for the previous fiscal year.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") approved three new accounting standards; Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, replacing Section 1581 – Business Combinations, and Section 1600 – Consolidated Financial Statements. Section 1582 provides the Canadian equivalent to IFRS 3 – Business Combinations (January 2008), and Sections 1601 and 1602 to International Accounting Standard 27 – Consolidated and Separate Financial Statements (January 2008), respectively.

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Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Entities adopting Section 1582 will also be required to adopt Sections 1601 and 1602.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards will require a change in the measurement of non-controlling interest and will require the non-controlling interest to be presented as part of the shareholders' equity on the balance sheet. In addition, the net earnings will include 100% of the subsidiary's results and will be allocated between the controlling interest and non-controlling interest.

EIC-175 – Multiple Deliverable Revenue Arrangements

In December 2009, the Emerging Issues Committee ("EIC") approved abstract EIC-175, "Multiple Deliverable Revenue Arrangements", which provides additional guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EIC-175 applies to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. The Company has not yet determined what the impact of adopting this standard will have on its financial statements.

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3. ACCOUNTS RECEIVABLE AND MORTGAGE RECEIVABLE

Accounts receivable and mortgage receivable consist of the following:

	March 31 2010	December 31 2009
	\$	\$
Trade	2,555,072	3,310,439
Holdback receivables	905,941	1,191,390
Unbilled revenue	188,860	189,550
Allowance for doubtful accounts	(2,052,796)	(2,036,374)
	1,597,077	2,655,005
SR&ED investment tax credits	121,447	121,447
Goods and services tax	16,237	41,752
	1,734,761	2,818,204
<i>Aging</i>		
Current	404,318	244,820
31-60 days	139,118	219,155
61-90 days	18,897	465,513
Over 90 days	1,992,739	2,380,951
	2,555,072	3,310,439

Mortgage receivable bears interest at 8% and is carried at amortized costs. The mortgage is collateralized by the project under construction.

During the quarter ended March 31, 2010, \$16,422 [2009 - \$nil] was recorded as a bad debt expense and is included in general and administrative expenses.

4. INVENTORY

Inventory consists of the following:

	March 31, 2010	December 31, 2009
	\$	\$
Raw materials	152,429	210,895
Inventory held for resale	125,405	135,324
	277,834	346,219

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Inventory held for resale are equipment items that have been purchased by the Company for future resale. During the quarter ended March 31, 2010, inventory provisions for obsolescence were charged to operations in the amount of \$9,919 [2009 - \$nil].

5. INTANGIBLE ASSETS

	March 31, 2010		
	Cost	Accumulated amortization	Net book Value
	\$	\$	\$
Software	75,725	56,592	19,133
	75,725	56,592	19,133
	December 31, 2009		
	Cost	Accumulated amortization	Net book Value
	\$	\$	\$
License	2,179,678	1,185,262	994,416
Software	75,725	55,040	20,685
	2,255,403	1,240,302	1,015,101

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 term and requires the Company to pay fees and royalties. The Company commenced amortization in November 2005 when the technology and related systems were completed and available for use.

On January 11, 2010, the Company received a termination notice from Best Joist Inc. ("Licensor" or "BJI") in regards to the 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 Company is currently in discussions with the Licensor regarding the amounts owing upon termination. The Company will continue to use the license in order to complete production as it relates to orders that were in backlog at the termination date. In addition, the Company has begun the process of exploring alternative technology as it relates to the production of steel joist products. During the quarter ended March 31, 2010, due to the termination notice, an entry was made to reduce the minimum royalty obligation and intangible asset amount.

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6. RESEARCH AND DEVELOPMENT RECOVERY

During the three-month period ended March 31, 2010, the Company recorded a recovery of \$nil [2009 - \$50,000] in tax incentives related to eligible expenditures for scientific research and experimental development. The amount has been recorded as a reduction to expenses in the interim consolidated statement of loss, comprehensive loss and deficit.

7. TERM LOAN

In June 2008, KML completed a three-year \$1,800,000 secured non-revolving term loan with a large non-bank Canadian lender with interest payable at a fixed rate of 8.17%. This term loan is repayable in equal monthly installments of principal plus interest scheduled to mature in 2011. The lender required KML to provide a \$500,000 irrevocable letter of credit which was issued by a Canadian chartered bank and is secured by a restricted cash deposit of \$500,000 at that bank. The term loan was formalized and fully drawn down in July 2008. KML provided a general security agreement providing the lender with a security interest in all of the assets of the subsidiary. The term loan is guaranteed by the Company and its other subsidiaries, each of which provided a general security agreement providing the lender with a security interest in all of its assets. As at March 31, 2010, KML was in default on its secured non-revolving term loan agreement due to the following: (i) On October 2, 2009, the Company received notification that the Ministry had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$633,978 of unremitted sales taxes owing. Subsequent to October 2, 2009, KML entered into an agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company received a letter of tolerance from the lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the balance due to the Ministry and has remitted payments in accordance with the agreement with the Ministry up to December 31, 2009. For the period beginning January 1, 2010, the Company has not remitted payments per the agreement with the Ministry. Furthermore, during the quarter ended March 31, 2010, the Company was audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicated an additional amount owing, including interest of \$727,032. The Company accrued the amount of \$727,032 as at December 31, 2009; and (ii) as at December 31, 2009, the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 as at June 30, 2010. As at March 31, 2010, the Company did not achieve the current ratio of 1:1. Accordingly, the full amount owing of \$894,177 as at March 31, 2010 has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to March 31, 2010, the Company received a demand letter from the lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the

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expiration of the ten day cure period, Coddling Enterprises L.P., a current shareholder of the Company (the "Potential Buyer"), initiated discussions with the lender to potentially purchase the term loan. As a result, the Potential Buyer has agreed, subject to customary closing conditions, to purchase the term loan. The parties are in the process of completing final documentation. The Potential Buyer has expressed its desire to modify the term loan in several ways, including a reduction in the monthly loan payments, and removal of certain restrictive covenants.

The following table is a summary of the principal repayments to scheduled maturity:

	\$
2010	521,943
2011 (classified as current as noted above)	385,428
Total principal repayments	<u>907,371</u>
Less deferred costs	<u>(13,194)</u>
Total debt on balance sheet	<u>894,177</u>

8. CAPITAL STOCK

[a] Private Placement

On March 19, 2010, the Company completed a non-brokered private placement (the "Private Placement") of 5,639,241 common shares at prices ranging from \$0.09418 to \$0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate of \$593,390. Muzzo Brothers Group Inc. ("Muzzo Brothers") subscribed for 2,777,437 common shares, pursuant to the Private Placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Company. Following the completion of the Private Placement, Zuzum Acquisition Inc., and its associates and affiliates together, are the registered and beneficial holders of 8,315,177 common shares of the Company, representing approximately 14.7% of the issued and outstanding common shares of the Company. Due to the participation by Muzzo Brothers in the Private Placement, the Private Placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the Private Placement subscribed for by Muzzo Brothers exceeded 25% of the Company's market capitalization.

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	March 31, 2010		December 31, 2009	
	Number of Shares #	Paid-up capital \$	Number of shares #	Paid-up capital \$
Common shares outstanding, beginning of period	50,823,110	61,114,911	30,982,858	56,733,075
Common shares converted from debenture	—	—	12,540,252	3,117,644
Common shares issued on private placement	5,639,241	593,390	7,300,000	1,825,000
Transaction costs	—	(18,193)	—	(560,808)
Common shares outstanding, end of period	56,462,351	61,690,108	50,823,110	61,114,911

[b] Options

The Stock Option Plan is intended to attract, retain and motivate 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.

The total number of options issuable to employees under the Stock Option Plan is 10% of the common shares issued and outstanding. There were 774,500 options outstanding under the Company's Stock Option Plan as at March 31, 2010 [2009 – 2,085,924 options outstanding].

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

	March 31, 2010		December 31, 2009	
	Number of Options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
EMPLOYEES AND DIRECTORS				
Outstanding, beginning of period	2,238,674	0.76	2,219,392	0.76
Granted during the period	—	—	700,000	0.27
Forfeited	(1,464,174)	0.48	(680,718)	0.66
Outstanding, end of period	774,500	0.94	2,238,674	0.61
Exercisable, end of period	692,500	0.79	1,688,174	0.50
OTHERS				
Outstanding, beginning of period				
Granted to debenture holders	835,712	2.15	835,712	2.15
Outstanding, end of period	835,712	2.15	835,712	2.15
Exercisable, end of period	835,712	2.15	835,712	2.15
Total outstanding, end of period	1,610,212	1.57	3,074,386	1.03
Total exercisable, end of period	1,528,212	1.53	2,523,886	1.05

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The following table summarizes information about the Company's outstanding stock options issued to employees and directors as at March 31, 2010:

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 \$
0.20 to 0.30	357,000	8.65	0.26	357,000	0.26
0.44 to 0.45	165,000	5.67	0.45	162,500	0.45
0.85 to 1.30	52,500	8.33	1.13	37,500	1.13
1.70 to 2.15	65,000	7.40	1.97	45,000	2.01
2.75	135,000	7.07	2.75	90,500	2.75
	774,500	7.62	0.94	692,500	0.79

The amount of stock option compensation expense related to granted options recognized in the consolidated statements of loss, comprehensive loss and deficit and debited to contributed surplus for the three-month period ended March 31, 2010 was a recovery of \$27,092 [2009 – expense of \$36,423 credited to contributed surplus]. The fair value for options granted before initial filing of the prospectus was determined using the minimum value method. The fair value for options granted after the initial filing of the prospectus was determined using the Black-Scholes option pricing model under the following assumptions:

Expected life of employees options	6 years
Expected life of debenture options	4.5 years
Expected dividends	Nil
Expected volatility	75%
Risk-free interest rate	2.91% - 2.99%

The following assumptions were used for options granted prior to the initial filing of the prospectus:

Risk-free interest rate	2.90%
Assumed expected life of the options	6 years
Dividend yield	nil

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[c] Contributed surplus

The change in contributed surplus during the periods is as follows:

	March 31, 2010	December 31, 2009
	\$	\$
Balance, beginning of period	1,842,492	1,246,358
Stock based compensation expense (recovery) related to employee stock options	(27,092)	169,384
Share purchase warrants issued in relation to the private placement <i>[note 8a]</i>	—	426,750
Balance, end of period	1,815,400	1,842,492

[d] Share purchase warrants

Warrants were issued in conjunction with the private placements that had taken place on July 27 and July 31, 2009. The terms or value of the warrants are determined by the Company's Board of Directors at the time of grant. The fair value for warrants was determined using the Black-Scholes option pricing model under the following assumptions:

Expected life of share purchase warrants	4 years
Expected volatility	62%
Risk-free interest rate	1.73%

As at March 31, 2010, the Company had 3,650,000 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
3,350,000	\$0.35	July 27, 2013
<u>300,000</u>	\$0.35	July 31, 2013
3,650,000		

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Information regarding the Company's outstanding share purchase warrants is summarized below:

	March 31, 2010		December 31, 2009	
	Number of Warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Outstanding, beginning of period	3,650,000	0.35	—	—
Issued during the period	—	—	3,650,000	0.35
Outstanding, end of period	3,650,000	0.35	3,650,000	0.35

The issue of these warrants has been credited to contributed surplus.

9. RELATED PARTY TRANSACTIONS

Royalty revenues were earned in the first quarter of 2010 from a shareholder of the Company in connection with a license arrangement, which was signed prior to the party becoming a shareholder. The license arrangement was revised on October 6, 2009. The amount of revenue earned at the exchange amount agreed upon between the parties for the three months ended March 31, 2010 was \$150,654 [2009 – \$74,719]. The amount included in accounts receivable as at March 31, 2010 was \$23,554 [2009 – \$nil].

Another shareholder of the Company has a business relationship as a contract customer of the Company with regular credit terms. Revenues earned for the three months ended March 31, 2010, at the exchange amount agreed upon between the parties is \$nil [2009 – \$60,872], and the amount included in accounts receivable as at March 31, 2010 is \$nil [2009 – \$73,853]. The Company 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.

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10. SEGMENT INFORMATION

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

Licensing

The licensing segment develops and licenses light steel structural building systems and solutions aimed at the global residential, commercial and institutional building markets.

During the quarter ended March 31, 2010, in an effort to enhance the worldwide adoption of the Genesis Solution, the Company is changing its licensing strategy. As part of its new business strategy, the Company anticipates entering into joint venture arrangements with potential licensees to develop light steel structural component manufacturing operations in strategic global locations where the need for a more efficient building system is necessary and required. This strategy creates a new business model that gives Genesis a stake in an existing or newly formed joint venture corporation. An equity stake in the business will allow the Company to share in the potential profits of this operation and to directly influence the direction and success of the business. In addition, the Company may reduce significant portions of its overhead as the joint venture operations endeavour to reach profitability. Accordingly, the Company is in discussions with Alexandria Steel Forming Co. ("Alexandria Steel"), a leading supplier of steel, forming components, steel slitting and other steel related products located in Alexandria, Egypt, and Manazil Steel Framing Co. ("Manazil"), a construction company located in Abu Dhabi, UAE, and also a current licensee, regarding the creation of joint venture operations in the respective regions. Current discussions with both Alexandria Steel and Manazil are in the final stages of negotiation. As part of the Manazil transaction, the Company transferred three employees as at March 31, 2010, and one employee subsequent to March 31, 2010, to the Manazil joint venture. The employees that transferred to Manazil included Maged Mostafa; the former Chief Operating Officer of the Company's licensing division. Subsequent to March 31, 2010, in furtherance of its new strategic direction, the Board of Directors of the Company has formed a special committee to negotiate a joint venture with Coddling Enterprises L.P., the Company's largest shareholder, covering the United States and South America, and has also formed a special committee to negotiate the divestiture of KML to an acquisition entity to be formed and owned by a director and consultant for the Company, James Arabia, whereby the Company would retain the ability to own a significant equity interest in KML through ownership of convertible securities issued by the acquisition entity. Although the Company believes it is likely that it will consummate the contemplated joint venture and divestiture transactions, there can be no assurance that any or all of the transactions will ultimately be finalized, or that, if finalized, they will be under the same terms and conditions as currently contemplated.

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Structural Products

The structural products segment consists of a customized panel and truss manufacturing facility located in Vaughan, Ontario. The facility produces engineered components used in the construction of light steel residential and commercial buildings.

Three months ended March 31, 2010	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Revenues	191,097	773,988	965,085	—	965,085
Direct cost of revenues	14,418	872,066	886,484	—	886,484
Contribution margin	176,679	(98,078)	78,601	—	78,601
Expenses before the undernoted	462,971	699,184	1,162,155	515,112	1,677,267
Income (loss) before the following	(286,292)	(797,262)	(1,083,554)	(515,112)	(1,598,666)
Amortization	(1,115)	(171,514)	(172,629)	(590)	(173,219)
Foreign exchange loss	14,995	1,862	16,857	9,881	26,738
Interest	(2,051)	(46,832)	(48,883)	(4,372)	(53,255)
Net loss for the period	(274,463)	(1,013,746)	(1,288,209)	(510,193)	(1,798,402)

Three months ended March 31, 2009	Licensing \$	Structural Products \$	Total operations \$	Corporate \$	Consolidated \$
Revenues	2,225,533	2,653,104	4,878,637	—	4,878,637
Direct cost of revenues	1,475,668	2,098,291	3,573,959	—	3,573,959
Contribution margin	749,865	554,813	1,304,678	—	1,304,678
Expenses before the undernoted	681,939	626,763	1,308,702	449,723	1,758,425
Income (loss) before the following	67,926	(71,950)	(4,024)	(449,723)	(453,747)
Amortization	(88,659)	(211,335)	(299,994)	(3,068)	(303,062)
Foreign exchange gain (loss)	(24,716)	(2,312)	(27,028)	(563)	(27,591)
Loss on fixed asset disposal	(4,543)	—	(4,543)	—	(4,543)
Interest and minimum royalty accretion	(86,601)	(62,945)	(149,546)	(6,436)	(155,982)
Net loss for the period	(136,593)	(348,542)	(485,135)	(459,790)	(944,925)

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As at March 31, 2010	Licensing \$	Structural Products \$	Total operations \$	Corporate \$	Consolidated \$
Total assets	384,206	4,732,950	5,117,156	138,622	5,255,778
Mortgage receivable	—	432,908	432,908	—	432,908
Property, plant and equipment	—	2,054,434	2,054,434	6,502	2,060,936
Intangible assets	13,758	2,321	16,079	3,054	19,133

As at March 31, 2009	Licensing \$	Structural products \$	Total operations \$	Corporate \$	Consolidated \$
Total assets	4,289,166	11,584,350	15,873,516	265,110	16,138,626
Capital expenditures	—	34,491	34,491	—	34,491
Property, plant and equipment	184,974	4,368,387	4,553,361	33,078	4,586,439
Intangible assets	2,071,802	3,316	2,075,118	4,362	2,079,480

Geographical distribution of revenues is as follows:

Three months ended March 31	Canada \$	U.S. \$	International \$	Consolidated \$
2010	773,988	150,654	40,443	965,085
2009	2,734,482	74,719	2,069,436	4,878,637

11. SUBSEQUENT EVENTS

As at March 31, 2010, KML was in default on its secured non-revolving term loan agreement due to the following: (i) On October 2, 2009, the Company received notification that the Ministry had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$633,978 of unremitted sales taxes owing. Subsequent to October 2, 2009, KML entered into an agreement with the Ministry providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ministry may seek to enforce its lien and collect the unremitted sales taxes owing immediately. On October 16, 2009, the Company received a letter of tolerance from the lender indicating that no further action would be taken by the lender against the default for the period ending September 30, 2010. As at December 31, 2009, the Company accrued the balance due to the Ministry and has remitted payments in accordance with the agreement with the Ministry up to December 31, 2009. For the period beginning January 1, 2010, the Company has not remitted payments per the agreement with the Ministry. Furthermore, during the quarter ended March 31, 2010, the Company was audited by the Ministry for sales tax calculated during the period February 1, 2006 to October 31, 2009. The results of the audit indicated an additional amount

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owing, including interest of \$727,032. The Company accrued the amount of \$727,032 as at December 31, 2009; and (ii) as at December 31, 2009, the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. The Company received a waiver from the lender for the year ended December 31, 2009, and the lender agreed to revise the financial covenant to 1:1 as at March 31, 2010 and 1.1:1 as at June 30, 2010. As at March 31, 2010, the Company did not achieve the current ratio of 1:1. Accordingly, the full amount owing of \$894,177 as at March 31, 2010 has been classified as a current liability and under certain circumstances may become immediately payable. Subsequent to March 31, 2010, the Company received a demand letter from the lender requesting payment of all amounts owing as of the date of the demand letter. Subsequent to receiving the demand letter, and prior to the expiration of the ten day cure period, Coddling Enterprises L.P., a current shareholder of the Company (the "Potential Buyer"), initiated discussions with the lender to potentially purchase the term loan. As a result, the Potential Buyer has agreed, subject to customary closing conditions, to purchase the term loan. The parties are in the process of completing final documentation. The Potential Buyer has expressed its desire to modify the term loan in several ways, including a reduction in the monthly loan payments, and removal of certain restrictive covenants.

Subsequent to March 31, 2010, the Company continued to experience significant liquidity challenges, undermining its ability to continue to operate on a going concern basis. While the Company continues to take steps to address its immediate short-term funding necessary to continue as a going concern, there is substantial doubt concerning the ability of the Company to continue as a going concern. In the event that the Company is not able to secure additional financing to fund its short-term operating requirements, the Company may be forced to discontinue operations.

Subsequent to March 31, 2010, Richard Pope accepted the role of permanent Chief Executive Officer.

During the quarter ended March 31, 2010, in an effort to enhance the worldwide adoption of the Genesis Solution, the Company is changing its licensing strategy. As part of its new business strategy, the Company anticipates entering into joint venture arrangements with potential licensees to develop light steel structural component manufacturing operations in strategic global locations where the need for a more efficient building system is necessary and required. This strategy creates a new business model that gives Genesis a stake in an existing or newly formed joint venture corporation. An equity stake in the business will allow the Company to share in the potential profits of this operation and to directly influence the direction and success of the business. In addition, the Company may reduce significant portions of its overhead as the joint venture operations endeavour to reach profitability. Accordingly, the Company is in discussions with Alexandria Steel Forming Co. ("Alexandria Steel"), a leading supplier of steel, forming components, steel slitting and other steel related products located in Alexandria, Egypt, and Manazil Steel Framing Co. ("Manazil"), a construction company located in Abu Dhabi, UAE, and also a current licensee, regarding the creation of joint venture operations in the respective regions. Current discussions with both Alexandria Steel and Manazil are in the final stages of negotiation. As part of the Manazil transaction, the Company transferred three employees as at March 31, 2010, and one employee subsequent to March 31, 2010, to the Manazil joint venture. The employees that transferred to Manazil included Maged Mostafa; the former Chief Operating Officer of the Company's licensing division. Subsequent to March 31, 2010, in furtherance of its new strategic direction, the Board of Directors of the Company has formed a special committee to negotiate a joint venture with Coddling Enterprises L.P., the Company's largest shareholder, covering the United States and South America, and has also formed a special committee to negotiate the

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divestiture of KML to an acquisition entity to be formed and owned by a director and consultant for the Company, James Arabia, whereby the Company would retain the ability to own a significant equity interest in KML through ownership of convertible securities issued by the acquisition entity. Although the Company believes it is likely that it will consummate the contemplated joint venture and divestiture transactions, there can be no assurance that any or all of the transactions will ultimately be finalized, or that, if finalized, they will be under the same terms and conditions as currently contemplated.

Subsequent to March 31, 2010, the Company received a Notice of Intention to Dissolve a Corporation (the "Notice") from the Ministry of Consumer and Business Services due to the fact that KML was not in compliance under Part IX – Section 115-2(a) of the *Ontario Business Corporations Act* ("OBCA"), wherein KML, at the subsidiary level, did not have any directors. KML will have 90 days from receipt of the Notice (dated April 8, 2010) to comply with the OBCA requirements.