



Condensed Consolidated Interim Financial Statements
(unaudited)

Genesis Worldwide Inc.

For the three and nine month periods ended September 30, 2011 and
2010 (in Canadian dollars)

**NOTICE TO READER OF THE CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated interim balance sheets of Genesis Worldwide Inc. as at September 30, 2011, and the condensed consolidated interim statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2011 and 2010 are the responsibility of the Company's management.

These condensed consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Chang G. Park, CPA.

The condensed consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

"Richard Pope"

Richard E. Pope
Chief Executive Officer
Toronto, Canada
November 29, 2011

"William Lindgren"

William L. Lindgren
Chief Financial Officer
Toronto, Canada
November 29, 2011

Genesis Worldwide Inc.**CONDENSED CONSOLIDATED BALANCE SHEETS**

See Note 1 - Basis of Presentation and Going Concern Uncertainty

(unaudited)

		2010	
	Note	September 30, 2011	December 31,
Assets			
Current assets:			
Cash		\$ 4,182	\$ 7,051
Accounts receivable, net	3	358,853	357,732
Inventory, net	4	-	556
Prepaid expenses		5,731	57,794
		<u>368,766</u>	<u>423,133</u>
Non-current assets:			
Notes receivable	3	570,402	1,049,704
Property, plant and equipment	6	12,724	15,888
Deposits		87,733	88,483
Intangible assets		-	-
Total assets		<u>\$ 1,039,625</u>	<u>\$ 1,577,208</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 2,882,727	\$ 2,609,470
Short term loan payable		10,348	154,628
Deferred revenue		-	349,215
		<u>2,893,075</u>	<u>3,113,313</u>
Non-current liabilities:			
Long term payables	7	185,234	144,092
Provision	14	1,494,230	1,076,738
		<u>1,679,464</u>	<u>1,220,830</u>
Shareholders' equity (deficiency):			
Share capital		62,356,666	61,830,420
Contributed surplus		2,227,114	1,905,150
Accumulated deficit		(68,116,694)	(66,492,505)
Total equity		<u>(3,532,914)</u>	<u>(2,756,935)</u>
Total liabilities and equity		<u>\$ 1,039,625</u>	<u>\$ 1,577,208</u>

See accompanying notes to unaudited condensed consolidated interim financial statements

Genesis Worldwide Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	\$ -	\$ -	\$ -	\$ 174,069
Cost of revenue	-	11,768	-	40,027
Gross profit	-	(11,768)	-	134,042
Operating expenses:				
Marketing and sales	-	47,712	6,302	395,206
Research and development	-	31,895	75,368	166,831
General and administrative	242,433	136,486	785,318	1,358,579
Occupancy	180,213	23,155	514,631	84,712
Total operating expenses	422,646	239,248	1,381,619	2,005,328
Operating loss before other expenses	(422,646)	(251,016)	(1,381,619)	(1,871,286)
Miscellaneous revenue and expense	-	273,866	-	273,866
Amortization of property, plant and equipment	1,055	341	3,164	1,026
Amortization of intangible assets	-	1,364	-	4,090
Bad debt expense	(181,999)	-	154,852	-
Foreign exchange gain	(2,885)	(11,602)	(6,084)	(17,940)
Bank charges, interest expense and penalty charges	38,984	5,206	90,638	33,051
Net loss	(277,801)	(520,191)	(1,624,189)	(2,165,379)
Other comprehensive income, net of tax	-	-	-	-
Comprehensive loss	(277,801)	(520,191)	(1,624,189)	(2,165,379)
Loss per share				
Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding	82,167,550	56,462,351	78,317,694	54,871,796

See accompanying notes to unaudited condensed consolidated interim financial statements

Genesis Worldwide Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY**

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

	<u>Share Capital</u>		<u>Contributed Surplus</u>	<u>Retained Earnings</u>	<u>Total equity</u>
	<u>Number</u>	<u>Amount</u>			
Balances at January 1, 2010	50,823,110	61,114,911	1,842,492	(50,402,322)	12,555,081
Private placement	5,639,241	593,390	-	-	593,390
Warrants	-	-	-	-	-
Transaction costs	-	(18,193)	-	-	(18,193)
Stock-based compensation	-	-	79,036	-	79,036
Net loss	-	-	-	(2,165,379)	(2,165,379)
Balances at September 30, 2010	<u>56,462,351</u>	<u>61,690,108</u>	<u>1,921,528</u>	<u>(52,567,701)</u>	<u>11,043,935</u>
Balances at December 31, 2010	59,319,494	61,830,420	1,905,150	(66,492,505)	(2,756,935)
Private placement	22,848,056	526,246	240,806	-	767,052
Warrants	-	-	-	-	-
Stock-based compensation	-	-	81,158	-	81,158
Net loss	-	-	-	(1,624,189)	(1,624,189)
Balances at September 30, 2011	<u>82,167,550</u>	<u>62,356,666</u>	<u>2,227,114</u>	<u>(68,116,694)</u>	<u>(3,532,914)</u>

See accompanying notes to unaudited condensed consolidated interim financial statements

Genesis Worldwide Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

See Note 1 - Basis of Presentation and Going Concern Uncertainty

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
OPERATING ACTIVITIES				
Net loss for the period	(277,801)	(520,191)	(1,624,189)	(2,165,379)
Adjustments for non-cash items				
Depreciation and amortization of property, plant and equipment and intangible assets	1,055	—	3,164	1,705
Bad debt	138,995	—	479,302	—
Provision for liabilities	222,423	—	417,492	—
Stock-based compensation expense	15,562	99,889	81,158	79,036
	<u>100,234</u>	<u>(420,302)</u>	<u>(643,073)</u>	<u>(2,084,638)</u>
Changes in non-cash working capital balances related to operations				
Accounts receivable	(5,062)	(266,530)	(1,121)	(177,905)
Unbilled revenue	—	607,466	—	950,929
Inventories and deposits on equipment	—	9,504	556	28,763
Prepaid expenses	13,568	(16,107)	52,813	(37,777)
Accounts payable and accrued liabilities	74,428	196,499	273,257	755,084
Deferred revenue	(331,228)	(2,115)	(349,215)	(82,298)
Cash in trust	—	—	—	100,000
Cash provided by (used by) operating activities	<u>(148,060)</u>	<u>108,415</u>	<u>(666,783)</u>	<u>(547,842)</u>
FINANCING ACTIVITIES				
Notes receivable	—	—	—	—
Repayment on term loan	10,349	—	(103,138)	—
Common stock issued	—	—	526,246	575,197
Contributed surplus	—	—	240,806	—
Cash provided by financing activities	<u>10,349</u>	<u>—</u>	<u>663,914</u>	<u>575,197</u>
INVESTING ACTIVITIES				
Additions to property, plant and equipment	—	341	—	(1,638)
Disposals of property, plant and equipment	—	(1,485)	—	—
Minimum royalties paid	—	(99,823)	—	(96,141)
Cash used by investing activities	<u>—</u>	<u>(100,967)</u>	<u>—</u>	<u>(97,779)</u>
Net increase (decrease) in cash during the year	<u>(137,711)</u>	<u>7,448</u>	<u>(2,869)</u>	<u>(70,424)</u>
Cash, beginning of year	141,893	(5,966)	7,051	71,906
Cash, end of year	<u>4,182</u>	<u>1,482</u>	<u>4,182</u>	<u>1,482</u>

See accompanying notes to unaudited condensed consolidated interim financial statements

Genesis Worldwide Inc.

Notes To Condensed Consolidated Interim Financial Statements

(unaudited)

September 30, 2011

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Genesis Worldwide Inc. (“Genesis”, “GWW” or the “Company”) was incorporated in Canada under the *Canada Business Corporations Act* (the “CBCA”) on July 16, 2003. The head office, registered office and principal place of business of the Company are located at 125 Traders Boulevard East, Unit 2, Mississauga, Ontario, L4Z 2H3, telephone number (647) 295-2284. Additional information regarding the Company is available through the Company’s website at www.genesisworldwide.com or through the SEDAR website maintained by the Canadian securities regulatory authorities at www.sedar.com.

Genesis, together with its subsidiaries, GenesisTP Inc., KML Building Solutions Inc. (a Delaware corporation), Genesis Financial Incorporated, GenesisTP USA Inc., and GenesisTP Ireland Limited, is a green building technology and solutions provider. Genesis develops and licenses light steel structural building software and provides building solutions aimed at the global residential, commercial and institutional construction 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. Through Genesis proprietary technologies, licensees are able to efficiently custom manufacture light steel building structures on a mass scale. Genesis offers state-of-the-art industrial equipment to its licensees to ensure that the licensee is able to provide their customers with the best in sustainable construction products. Following the Genesis process, licensees are offered a wide range of services, including ongoing training and support, to ensure that the manufacturing and construction process is efficiently managed from the day of sale through to the completion of the project.

The Company’s operating activities consist of the ongoing development, licensing and application of its technology and participating in structural products operations through joint ventures. The Company refers to the licensing of its technologies as its licensing division or licensing business. It is anticipated that, in the future, the licensing division would derive a majority of its revenue through royalties, licensing fees and industrial equipment sales. The Company will continue to develop additional licensees throughout its target markets. In addition, the Company is currently in the development stage of a stand alone version of its proprietary software, FrameBuilder, and is in discussions with various general contractors, architects and engineering professionals who are interested in licensing the FrameBuilder software as a stand alone software license.

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. These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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

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management, necessary for a fair presentation of results for the years presented. The Company has not yet realized consistent profitable operations and continues to use cash to fund its operations.

As shown in these unaudited condensed consolidated interim financial statements, the Company incurred a net loss for the nine months ended September 30, 2011 of \$1,624,189, negative working capital of \$2,524,309, cash balance of \$4,182, and an accumulated deficit of \$68,116,694 at September 30, 2011. Since inception the Company's growth has been funded through a combination of equity and warrants from private investors and from cash advances from its executive management. These factors, among others, may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. The Company's available liquidity plus the expected additional cash generated by operations will not be sufficient to pay outstanding obligations and hence the appropriateness of the use of accounting principles applicable to a going concern. Management's plans include selling equity securities, negotiating payment terms for all obligations, and or obtain debt financing to fund the Company's capital requirements and ongoing operations; however, there can be no assurance that the Company will be successful in these efforts. Failure to effectuate timely short-term funding could require the Company to file for protection under bankruptcy laws.

2. BASIS OF PRESENTATION

(a) Statement of compliance and conversion to International Financial Reporting Standards

The Company adopted International Financial Reporting Standards ("IFRS") effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that are prepared in accordance with IFRS. The Company's transition date is January 1, 2010 (the "Transition Date") and the Company has prepared its opening IFRS balance sheet at that date. The Company will ultimately prepare its opening balance sheet and financial statements for 2010 and 2011 by applying IFRS with an effective date of December 31, 2011, or earlier. Accordingly, the opening balance sheet and annual financial statements for 2010 and 2011 may differ from these statements.

These unaudited condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Reporting Interpretations Committee ("IFRIC"). The unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2011 were prepared in accordance with IAS 34. The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed consolidated interim financial statements as were followed in the preparation of the unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2011. In addition, the unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these unaudited condensed consolidated interim financial statements for the three and nine months periods ended September 30, 2011 should be read together with

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the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP, as well as the unaudited condensed consolidated interim financial statements for the three month period ended March 31, 2011.

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

3. ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

The Company's trade and other receivables consist of the following:

	September 30, 2011	2010 December 31,
Trade	\$ 371,189	\$ 859,878
Holdback receivables	—	—
Unbilled revenue	—	—
Allowance for doubtful accounts	(97,890)	(582,146)
	273,299	277,732
Scientific research & experimental development tax credits	80,000	80,000
Other receivable	5,554	—
	\$ 358,853	\$ 357,732
<i>Aging</i>		
Over 90 days	371,189	859,878
	\$ 371,189	\$ 859,878

During the nine months ended September 30, 2011, \$154,852 [2010 - \$nil] was recorded as a bad debt expense. As at the quarter ended September 30, 2011, the Company held \$80,000 in miscellaneous receivables related to scientific research and development tax credits and \$5,554 of other receivables related to indemnified obligations by Guy Street Corporation ("GSC") (see Note 11).

Notes receivable consist of the following:

	September 30, 2011	2010 December 31,
Notes receivable	\$ 1,418,336	\$ 1,403,438
Less loss reserve	847,934	353,734
	\$ 570,402	\$ 1,049,704

At October 22, 2010, the Company recorded a note receivable of \$750,000 and an indemnification against liabilities owed by the Company of \$653,438 as part of its divesture (see Note 11). As at

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September 30, 2011

September 30, 2011, financial statements have been unavailable from GSC to date and therefore, the Company has established a reserve based on its estimated collectability.

4. INVENTORIES AND DEPOSITS ON EQUIPMENT

Inventory held for resale are equipment items that have been purchased by the Company for future resale. During the quarter ended September 30, 2011, the Company had no inventory held for resale, compared to \$556 as of December 31, 2010.

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
License	\$ 1,239,754	\$ 1,239,754	\$ -	\$ 1,239,754	\$ 1,239,754	\$ -
Patents	7,711	7,711	\$ -	7,711	7,711	\$ -
	<u>\$ 1,247,465</u>	<u>\$ 1,247,465</u>	<u>\$ -</u>	<u>\$ 1,247,465</u>	<u>\$ 1,247,465</u>	<u>\$ -</u>

During the fourth quarter of fiscal 2010, the Company disposed of certain intangible assets related to its divestiture agreement.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	September 30, 2011			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Furniture and fixtures	\$ 7,765	\$ 4,350	\$ 3,415	\$ 7,765	\$ 3,746	\$ 4,019
Computer equipment	3,544	2,305	1,239	3,544	2,087	1,457
Computer software	14,874	6,804	8,070	14,874	4,462	10,412
	<u>\$ 26,183</u>	<u>\$ 13,459</u>	<u>\$ 12,724</u>	<u>\$ 26,183</u>	<u>\$ 10,295</u>	<u>\$ 15,888</u>

During the fourth quarter of fiscal 2010, the Company disposed of certain assets related to its divestiture agreement.

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Notes To Condensed Consolidated Interim Financial Statements

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September 30, 2011

7. TERM LOANS AND LONG-TERM PAYABLES

(a) Term loans

In June 2008, KML Engineered Homes Ltd. (“KML”), a former subsidiary of the Company (see Note 11), completed a three-year, \$1,800,000 secured non-revolving term loan with a large non-bank Canadian lender. 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.

On May 28, 2010, Codding Enterprises L.P. (“Codding”), an existing shareholder and insider of the Company, completed the purchase of the secured non-revolving term loan (the “Codding Loan”). On October 22, 2010, concurrent with the divestiture agreement, GSC was granted the right, by the Company and Codding, to have the Acquired Entities (see Note 11) relieved of any obligation to repay the Codding Loan for each one (1) share of Series A Preferred shares issued by GSC to the Company (rounded upward to the nearest \$1,000 as of the date of the issuance of the Series A Preferred shares). Upon GSC exercising its rights to issue preferred stock, the loan documents shall be promptly modified to relieve the Acquired Entities from having any obligation to repay the Codding Loan and to release any collateral pledged by any of the divested entities as security for the loan. The promissory note accrues interest at the rate of 12% per annum, compounded annually, until December 1, 2013, at which time it pays quarterly interest until maturity. As of September 30, 2011, the Company recorded a loan provision of \$1,001,288 and related interest provision of \$147,646 under long-term liabilities. The Company will continue to monitor the obligation on a quarterly basis (see Note 14).

(b) Long-term payables

As part of its restructuring efforts, the Company converted certain amounts owed to vendors to notes payable based upon agreed terms or contracts and, as at September 30, 2011, the Company had \$185,234 associated to these long-term payables. As at September 30, 2011, the Company has defaulted on these payables and is in the process of re-negotiating the terms of the agreements.

8. COMMITMENTS AND CONTINGENCIES

- (a) In the ordinary course of business, the Company entered into an operating lease agreement for its premises and equipment. The lease commitment required for the next five years and thereafter is outlined below. In addition, the Company is required to pay realty taxes and maintenance costs for the leased premises.

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<u>Years Ending December 31,</u>	<u>Operating Leases</u>
2011 (remaining six months)	\$ 186,533
2012	746,133
2013	746,134
2014 and thereafter	2,238,400
	<u>\$ 3,917,200</u>

- 1) The operating lease includes the subleased space to KML Engineered Homes (see Notes 10 and 11).
 - 2) The table above does not reflect a month-to-month lease of \$375 per month for an annual amount of \$4,500 for 2011. The lease can be canceled at will by both parties.
 - 3) The Company has equipment leases that are part of the divested indemnified obligations to be paid by GSC.
- (b) In the normal course of operations, the Company is subject to lawsuits and claims. Litigation is inherently unpredictable. However, the Company believes that it has valid defenses with respect to legal matters pending against the Company. It is possible that the Company's consolidated financial position, cash flows or results of operations could be affected by a negative resolution of one or more such matters.
- (c) The Company has obligations to repay the Ontario Ministry of Revenue and other tax agencies for unremitted sales and payroll related taxes. The Ontario Ministry of Revenue and other tax agencies are working with the Company to allow sufficient time to pay down its obligations. The amounts have been recorded in accounts payable and accrued liabilities.

9. CAPITAL STOCK

(a) Private placements

On March 19, 2010, the Company completed a non-brokered 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, were 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 at that time. 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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On February 16, 2011, the Company completed a brokered private placement through Canaccord Genuity Corp. acting as the Company's exclusive agent and finder on a commercially reasonable efforts basis. Pursuant to the private placement, 20,000,000 units, including 6,500,000 units issued pursuant to the over-allotment option which was granted to the agent and exercised in full, were issued to arm's-length parties at a price of \$0.05 per unit, resulting in gross proceeds of \$1,000,000 to the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.10 at any time on or prior to February 16, 2013. The common shares and common share purchase warrants comprising the units and the common shares issuable upon the exercise of the common share purchase warrants will be subject to a hold period of four months from the closing of the private placement. On the closing of the private placement, the agent was i) paid, as agent and finder, a cash commission equal to 7% of the gross proceeds from the private placement; ii) issued common share purchase warrants to acquire 2,000,000 common shares equal to 10% of the units sold under the private placement, with each such common share purchase warrant entitling the agent to acquire one common share at an exercise price of \$0.05 at any time on or prior to February 16, 2013; and iii) issued 1,368,889 units as a corporate finance fee. The net proceeds from the private placement will be used by the Company for working capital purposes.

On March 24, 2011, the Company completed a non-brokered private placement of 541,667 common shares of the Company at a price of \$0.06 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of \$32,500. The common shares issued pursuant to the private placement are subject to a four-month hold period.

On April 8, 2011, the Company completed a non-brokered private placement of 937,500 common shares of the Company at a price of \$0.08 per common share in satisfaction of services provided to the Company, of an aggregate amount of \$75,000 pursuant to a management consultant agreement dated November 9, 2009 and a payment agreement dated March 7, 2011.

(b) Share purchase warrants

Warrants were issued in conjunction with the brokered private placement on February 16, 2011. 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. As of September 30, 2011, the Company had 18,598,727 warrants outstanding [2010 – 4,485,712]. Each warrant entitles the holder the right to purchase one common share at a specified exercise prices. There were no warrants exercised or forfeited during the current period.

(c) Options

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 the date of grant to four years from the date of grant.

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The total number of options issuable under the Stock Option Plan is 10% of the common shares issued and outstanding. There were 2,692,750 options outstanding under the Company's Stock Option Plan as at September 30, 2011 [2010 – 2,854,000]. There were no options granted, exercised or forfeited during the current period.

During the third quarter of fiscal 2011, the Company extended its stock option terminations for terminated employees related to the divestiture. The Company extended the right to allow the terminated employees the ability to exercise their vested options to December 30, 2011. The delay in canceling the stock options for terminated employees was primarily due to the Company's cease trade order (see Note 15).

10. RELATED PARTY TRANSACTIONS

During fiscal 2010, the Company executed a joint venture agreement with Codding Steel Frame Technologies ("CSFT"), an affiliate of Codding Enterprises L.P. ("Codding"), who is an existing shareholder and an insider of the Company. The Company terminated the license agreement between the Company and Codding and entered into a master license agreement with a newly formed entity, Genesis Steel Frame Solutions L.P. ("GSFS LP"), a California limited partnership. In return, the Company had a 35.7% interest in GSFS LP. Within 12 months of the date of the agreement (May 1, 2010), the Company was required to contribute \$500,000 to GSFS LP in immediately available funds or other similar assets. Once the Company contributed \$500,000 to GSFS LP, the Company's ownership interest would increase from 35.7% to 40%. During the quarter ending September 30, 2010, as part of the reduction to the restricted cash balance (see Note 11), the Company recorded an investment of \$273,866 in GSFS LP. As a result, the Company's ownership interest in GSFS LP increased to 37.5%. Additionally, the Company, within 12 months of the date of the agreement, had the option to contribute \$1,500,000 to GSFS LP in immediately available funds in order to increase its ownership interest to 49%. The Company has accounted for the investment in GSFS LP under the equity method. Management determined that, as a result of several external and internal factors, including but not limited to, lack of order generation, lack of product mix, the average margin of jobs being bid, the increase of financial obligations including loans, the negative changes in the economy and the worse than expected performance, the Company impaired the whole investment during the fourth quarter of fiscal 2010 of \$273,866.

Effective August 22, 2011, the Company was officially notified by Codding, an existing shareholder and an insider of the Company, and on behalf of CSFT, that GSFS LP and CSFT have ceased all operations, due to the inability of the general partner of GSFS LP to continue to fund operations. GSFS LP ceased operations on August 22, 2011. The Company will not be required to pay any additional expenses associated with the closing of GSFS LP.

Muzzo Brothers Group Inc. ("Muzzo Brothers"), an affiliate of Zuzum Acquisition Inc., which beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding common shares of the Company, 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 which commenced on January 31, 2007 and expires on December

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31, 2016, and is renewable for a further 10 years at the option of the Company with prior written notice. Annual base rent under the lease is \$727,000. Effective June 30, 2010, the Company and the landlord agreed to amend the commercial property lease to reduce the rentable area, thereby reducing the annual minimum base rent to \$635,000. As of September 30, 2011, the Company recorded a rent provision of \$345,296 associated with the KML Engineered Homes' sublease agreement. The Company will continue to monitor and record the obligation of the sublease rent under long-term liabilities per IFRS IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". IAS 37 requires the Company to record a provision when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

11. DIVESTURE

On October 22, 2010, the Company divested its structural products division, including KML Engineered Homes Ltd. ("KML"), a subsidiary and licensee of the Company (the "Acquired Entities"), to GSC, a Delaware corporation. As part of the transaction, GSC acquired all of the outstanding stock of Canadian Steel Frame Solutions Inc. ("CSFS"), formerly 6118216 Canada Inc., a wholly owned subsidiary of the Company that served only to hold other indirect wholly owned subsidiaries of the Company. As at the divestiture date, CSFS owned 100% of KML, the Company's structural products subsidiary, and also owned 100% of Light Steel Joist Solutions Inc. ("LSJS"), a subsidiary that manufactures steel joists for use by CSFS and its affiliates in their construction activities. In consideration for the purchase of CSFS (along with its subsidiaries KML and LSJS), GSC (i) issued the Company a \$750,000 unsecured convertible promissory note, which matures on September 1, 2020, (ii) indemnified the Company by KML and LSJS for approximately \$780,000 of liabilities owed by the Company, including the amount of \$165,000 owing to Best Joist Inc.; and (iii) granted the Company the right to nominate one person for election to GSC's board of directors (or for the appointment to fill a vacancy created in the seat of an elected nominee of the Company) for as long as GSC is indebted to the Company or as long as the Company holds an ownership interest directly or indirectly that represents 5% or more of the outstanding shares of GSC. As of September 30, 2011, the Company has not elected to nominate a person to GSC's board of directors and continues to reserve the right to nominate a board member.

Concurrent with the divestiture agreement, GSC was granted the right, by the Company and Coddling, to have the Acquired Entities relieved of any obligation to repay the Coddling Loan for each one (1) share of Series A Preferred shares issued by GSC to the Company (rounded upward to the nearest \$1,000 as of the date of the issuance of the Series A Preferred shares). Upon GSC exercising its rights to issue preferred stock, the loan documents shall be promptly modified to relieve the Acquired Entities from having any obligation to repay the Coddling Loan and to release any collateral pledged by any of the divested entities as security for the loan. The Company will remain committed to repay the Coddling Loan upon the issuance of the Series A Preferred shares. The promissory note accrues interest at the rate of 12% per annum, compounded annually, until December 1, 2013, at which time it pays quarterly interest until maturity. As of September 30, 2011, GSC has not exercised its right to issue preferred stock and the Company has posted a provision for the associated liability per IFRS IAS 37. The Company will continue to monitor the obligation on a quarterly basis to assess the status of GSC and its right to issue preferred shares.

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12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair values

The Company's financial instruments include cash, accounts receivable accounts payable and accrued liabilities. The fair values of these instruments approximate their carrying values due to the short-term to maturity.

Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Foreign currency risk exists when the fair value or future cash flows of a financial instrument will fluctuate with changes in the foreign exchange rates. The Company's objective in managing its foreign currency risk is to minimize its exposures to these fluctuations by managing to the extent practical its U.S. dollar collections to pay U.S. dollar obligations.

Liquidity risk

Liquidity risk exists when the Company is not able to meet its financial obligations as they fall due. The Company's growth is financed through the combination of debt borrowings and the issuance of equity. One of the Company's primary goals is to maintain an optimal level of liquidity through the active management of assets and liabilities as well as generating revenue to meet its ongoing obligations. During the quarter ended September 30, 2011, the Company incurred a loss from continuing operations of \$1,624,189 and net cash used in operations of approximately \$666,783. As of September 30, 2011, the Company had an excess of current liabilities compared to current assets of \$2,524,309. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management will continue to monitor the Company's cash position carefully and evaluate its future operating cash requirements with respect to its strategy, business objectives and performance. However, if there are any unforeseen downturns in its business or the Company is unable to generate revenue, the Company may require additional capital or other sources of financing in order to meet its commitments.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Company is exposed to the risk of changing interest rates for cash and cash equivalents held. If interest rates were to shift significantly there would be minimal impact on the Company's results.

Credit risk and customer concentration

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables. Management has made their best estimate of an allowance for the risk related to collection of amounts due to the Company. At September 30, 2011, the Company had an allowance for doubtful accounts in the amount of \$97,890.

At September 30, 2011, one customer represented more than 10% of the total accounts receivable balance, and collectively accounted for 78% of the total accounts receivable balance.

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Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its revenue generating initiatives, research and development of its products and to maintain flexible capital structure for its projects for the benefit of its shareholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash, receivables and liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture arrangements, acquire or dispose of assets or adjust the amount of cash. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company is not subject to externally imposed capital requirements.

The Company continues to look at options to raise additional capital, which would allow the Company to pursue its growth initiatives and improve its liquidity. This initiative has proved challenging due to the current state of the global financial markets, but the Company will continue to search for opportunities that may be available to it. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. 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 or file protection under bankruptcy laws.

13. SEGMENT INFORMATION

The Company operates within one operating segment after the divestiture of its entities (see Note 11). The Company's one business segment develops and distributes software solutions which enable customers to custom design, manufacture and install complete light steel building structures. The Company had no geographic revenue activity for the three months ending September 30, 2011 and 2010, respectively. Revenue attributable to geographic locations, based on the location of the customer, for the nine months ending September 30, 2011, is as follows:

	Canada	U.S.	International	Consolidated
Nine months ended September 30,	\$	\$	\$	\$
2011	\$ -	\$ -	\$ -	\$ -
2010	5,146	128,479	40,444	174,069

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14. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

The following table and its note reconcile September 30, 2011 IFRS equity and comprehensive earnings to the Canadian GAAP versions previously published.

Reconciliation of Consolidated Statement of Comprehensive Income (Loss) for the three months ended September 30, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Net earnings	\$ (520,191)	\$ -	\$ (520,191)
Unrealized gain (loss) on translation of assets and liabilities	-	-	-
Foreign exchange gain or (loss)	-	-	-
Comprehensive income (loss)	<u>(520,191)</u>	<u>-</u>	<u>(520,191)</u>

Reconciliation of Consolidated Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2010

	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Net earnings	\$ (2,165,379)	\$ -	\$ (2,165,379)
Unrealized gain (loss) on translation of assets and liabilities	-	-	-
Foreign exchange gain or (loss)	-	-	-
Comprehensive income (loss)	<u>(2,165,379)</u>	<u>-</u>	<u>(2,165,379)</u>

Notes to IFRS reconciliation above:

(1) Net Earnings and Comprehensive Income

Management did not record any offsetting adjustments to net earnings and other comprehensive earnings for systemic amortization of actuarial gains or losses as they were determined to be immaterial. Management determined that there had been no material change in the actuarial assumptions used at December 2009, and those existing at September 30, 2010, that would lead to a material charge for actuarial losses or gains on benefit and other plans during the period. Therefore, there is no reconciliation of Other Comprehensive Income for the three or nine month period ended September 30, 2010, as there was no material difference in this measure between GAAP and IFRS presentations during these periods.

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(2) Provision for Liabilities

Leases

The Company is the primary leasee of a property in Canada that KML subleased from the Company and used in its operations (see Note 10). As the primary tenant, the Company is legally liable for the rent to the lessor. An adjustment was made to record the unpaid rent. In accordance with IAS 37, the Company posted a provision of \$345,296 related to rent liability. The Company will continue to monitor the KML sub-lease obligation on a quarterly basis.

Loans

The Company is a co-guarantor of the divested Coddling Loan and has the potential to be the primary obligor under the divestiture agreement (see Note 11). As at September 30, 2011, GSC has not exercised its rights to issue or accept GSC preferred stock to the Company. In accordance with IAS 37, the Company posted a provision of \$1,001,288 related to the loan liability, and \$147,646 in related interest. The Company will continue to monitor the obligation on a quarterly basis to assess the financial status of GSC and its associated rights under the terms of the divestiture agreement.

15. SUBSEQUENT EVENTS

On October 6, 2011, the Company was advised by the TSX Venture Exchange (“TSXV”) that its shares would be reinstated to trading on the NEX exchange, a separate board of the TSXV (the “Exchange”) effective at market open on Friday, October 7, 2011.

The Company’s common shares were suspended from trading on the Exchange as a result of cease trade orders issued by the Ontario Securities Commission, the British Columbia Securities Commission, and the Autorité des marchés financiers (collectively, the “Commissions”) on July 15, 2011, July 7, 2011 and July 20, 2011, respectively, for failure to file its interim financial statements for the three months ended March 31, 2011, and the related management’s discussion and analysis and CEO and CFO certificates (collectively, the “Required Disclosure”) on or prior to the filing deadline of June 29, 2011. Subsequently, the Required Disclosure was filed by the Company on July 29, 2011 and can be viewed at www.sedar.com. As announced in the Company’s news release of September 26, 2011, the cease trade orders were fully revoked by the Commissions.

On November 10, 2011, the Company announced that it was seeking shareholder approval for a proposed consolidation of its share capital on the basis of one (1) new common share for ten (10) existing common shares (the “Share Consolidation”). The Company currently has 82,167,550 common shares issued and outstanding. If the Company effects a share consolidation, an approximate total of 8,216,755 common shares will be issued and outstanding prior to any securities being issued with respect to the financing described below. The completion of the proposed consolidation of common shares is subject to regulatory and shareholder approvals.

In addition, the Company also announced that it has entered into an agreement with Canaccord Genuity Corporation to act as its exclusive agent to sell on a commercially reasonable efforts basis, in connection with a proposed brokered private placement up to approximately 6,666,666 units (“Units”) of the Company on a post consolidated basis, at a price of \$0.075 per Unit to raise gross proceeds of up to

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\$500,000. Each Unit will consist of one common share of the Company (a “Common Share”) and one Common Share purchase warrant of the Company. Each Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.10 for a period of 12 months following the closing of the Private Placement. The net proceeds from the Private Placement will be used by the Company for working capital purposes. The Common Shares and Warrants comprising the Units and the Common Shares issuable upon the exercise of the Warrants will be subject to a hold period of four (4) months from the closing of the Private Placement.

On the closing of the Private Placement, the Agent will i) be paid a cash commission equal to 7% of the gross proceeds from the Private Placement; ii) be issued Warrants (the “Agent’s Warrants”) to acquire a number of Common Shares equal to 10% of the Units sold under the Private Placement, with each Agent’s Warrant entitling the Agent to acquire one Common Share at an exercise price of \$0.10 for a period of 12 months following the closing of the Private Placement; and iii) be issued a corporate finance fee of 933,333 Units (the “Agent’s Units”).

The closing of the Private Placement is anticipated to occur on or following the date on which the Share Consolidation becomes effective and is subject to receipt of applicable regulatory and shareholder approvals.

Effective November 1, 2011, James Arabia was appointed a director of the Company. Mr. Arabia is the Chief Executive Officer of Guy Street Corporation, a Delaware corporation (“GSC”). Therefore, any transactions between the Company and GSC are considered to be a “related party transaction” (see Notes 7 and 11) for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions.