



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

Dated: May 7, 2009

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Genesis Worldwide Inc. ("Genesis" or the "Company") should be read in conjunction with the Company's unaudited consolidated interim financial statements and accompanying notes for the three months ended March 31, 2009 and 2008, as well as the annual MD&A and the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2008 and 2007, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. The unaudited consolidated interim financial statements and accompanying notes have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). All dollar amounts are in Canadian dollars unless stated otherwise. The information contained herein is dated as of May 7, 2009, and is current to that date, unless otherwise stated. The Company's fiscal year commences January 1st of each year and ends on December 31st of that year.

In this document, "we", "us", "our", "Company" and "Genesis" all refer to Genesis Worldwide Inc. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Further information regarding the Company, and its business and operations, may be obtained from the Company's continuous disclosure documents filed from time-to-time with the Canadian securities regulatory authorities. These continuous disclosure documents are available through the Company's website at www.genesisworldwide.com or through the SEDAR website maintained by the Canadian securities regulatory authorities, which can be accessed at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws, which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section contained in the Company's Annual Information Form ("AIF"), filed with the Canadian securities regulatory authorities, and accessible on SEDAR at www.sedar.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. You should not place undue importance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or release any revisions to these forward-looking statements, except required by law, to reflect events, circumstances or the occurrence of unanticipated events, or if management's projections, beliefs or opinions change after the date of this MD&A.

Selected Financial Information

The following tables set out selected consolidated financial information for the periods indicated. The selected financial information set out below as at and for the three month periods ended March 31, 2009 and 2008, respectively, has been derived from the unaudited consolidated interim financial statements and accompanying notes for the three month periods ended March 31, 2009 and 2008, as well as the December 31, 2008 annual audited consolidated financial statements. The financial information for the three month periods ended March 31, 2009 and 2008 have been prepared by management in accordance with Canadian GAAP in a manner consistent with its annual audited consolidated financial statements and have not been subject to review by the Company's auditors. Each investor should read the following information in conjunction with those consolidated financial statements and the notes thereto.

Consolidated Statements of Operations Data

	Three Months Ended	
	March 31	
(in thousands of dollars, except share data)	2009	2008
Revenues		
Licensing	\$ 2,226	\$ 3,217
Structural products	2,653	4,465
Total revenues	4,879	7,682
Direct cost of revenues		
Licensing	1,476	1,772
Structural products	2,098	3,627
Total direct cost of revenues	3,574	5,400
	1,305	2,282
Operating Expenses		
Research and development	199	432
SR&ED investment tax credit	(50)	(57)
Selling and marketing	302	591
Engineering and project management	263	465
General and administration	694	1,375
Occupancy	351	380
	1,759	3,186
Loss before other expenses	(454)	(904)
Amortization	303	269
Debenture and loan interest expense (income)	64	(50)
Minimum royalty accretion	66	73
Foreign exchange loss	27	45
Other	31	-
	491	337
Net loss and comprehensive loss		
for the period	\$ (945)	\$ (1,241)
Net loss per share – basic and diluted	\$ (0.03)	\$ (0.04)
Weighted average number of common		
shares outstanding - basic	30,982,858	30,982,858
- diluted	30,982,858	30,982,858

Consolidated Balance Sheet Data

(in thousands of dollars)	As at March 31, 2009	As at December 31, 2008
Cash and cash equivalents	\$ 423	\$ 167
Accounts receivable	7,278	7,781
Total assets	16,139	17,339
Total liabilities	12,209	12,630
<u>Shareholders' equity</u>	<u>3,930</u>	<u>4,709</u>

Overview

Genesis is a “green” building products and technology provider. Genesis provides, develops and licenses light steel structural building technologies aimed at the global residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. The 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.

The Market

The continued global economic downturn has resulted in a volatile and uncertain economic environment which has presented many companies with new business challenges. As noted in our 2008 annual MD&A filed with the Canadian securities regulatory authorities, and accessible on SEDAR at www.sedar.com, the potential of this downturn affecting the Company’s results is significant because not only have builders been affected by the slowdown in consumer demand, the global financial industry has been significantly impacted, which, in turn, negatively affects the construction industry, as most construction projects require financing. The impact on the financial industry has resulted in builder financing evaporating for new projects and, in some instances, projects partially completed have been abandoned due to financing being withdrawn or terms changed, such that the builders are not able to survive. Thus, the current year continues to be a very challenging environment for most companies, including Genesis.

The Company’s licensing division, GenesisTP Inc., operates worldwide and the markets vary greatly. In the last several months, it appears that almost all markets globally have been impacted by the global economic downturn, whilst some markets are being impacted more than others. Governments globally have responded with numerous stimulus packages to help spur their economies. Government stimulus packages have attempted to drive construction projects in schools, hospitals, and other government buildings. One advantage of the Genesis Solution is its diversity in terms of the types of projects that it can be applied to. The hardest hit segment of the global market has been single family homes, while the commercial and institutional building market is not suffering to the same degree. The Genesis Solution can be applied equally to the single family home market, as well as the commercial and institutional building market that is eight storeys and under. Therefore, the Company will continue to focus its selling and marketing efforts on the areas still showing activity, which means both geographically and by segment.

The Company’s structural products division, KML Engineered Homes Ltd., operates primarily in the Ontario, Canada marketplace, and the new construction market for Ontario is forecasted to show significant market decline from the very robust market growth over the past six years. There has been a definite slowdown in residential projects, but there continues to be some new activity in government supported projects, such as low income housing, retirement homes and schools. Therefore, the structural products division has shifted its focus on these still active areas until the residential and commercial markets recover.

Material costs are changing significantly. Steel prices have decreased to more traditional levels, down from record highs experienced in 2008. Concrete costs are moving at similar rates, with concrete being the main structural material used throughout the world, other than in North America. In North America, wood is the predominant structural material and its costs have dropped to their lowest levels in the past several years and show no signs of increasing. In particular, low wood prices have put pressure on the Company's structural products division, and the Company as a whole. To react to these pricing pressures, the Company has and will continue to innovate its way out of these price variances and reliance on others for supplies – Material Optimization Technology (“MOT”) is one such innovation that allowed the Company to purchase steel coils (commodity pricing) and manufacture formed pieces itself, versus purchasing pre-formed steel which created a reliance on suppliers for timing and pricing. This change has meant a reduction in raw material costs and an increase in customer satisfaction. Prior to the Company's investment in MOT, if customers had changes, it could take several days to source and produce the new piece, whereas with MOT, the change can be produced internally and delivered to site the next day. The Company has also begun to develop “SMART” parts, which are new pieces that, when implemented into the production process, reduce inefficiencies such as welding, painting, and other fabrication activities, and even enable installers to address site related foundation imperfections rather than having to return materials to the factory for slight changes. These innovations are being implemented during the first part of fiscal 2009. With additional SMART components anticipated throughout 2009, management believes this will continue to allow the Company to reduce its production costs and offset material price pressures and fluctuations.

The use of light gauge steel as a structural material worldwide is still in its infancy. The Company estimates that the worldwide market share for light gauge steel is still less than 1%. The Company's strategy for its licensing activities is to focus on those markets that offer the greatest overall potential for growth and also try to identify Solution Providers around these areas. The new Solution Provider Program will allow customer to use the Genesis solution without having to make the investment of a full licensee in the beginning, but rather gradually grow into a full licensee. This strategy will allow the Company to further develop its global penetration and also provide a distribution channel for itself and its licensees.

Overall Performance and Response to Market Conditions

In light of the extremely tough economic conditions experienced at the end of last year and the first quarter of 2009, the Company has been focusing its efforts to try to make changes to advance its progress on the path to profitability, and to better position itself as a service provider of choice, both as a licensor and a provider of green products. As a result of this focus, the Company accomplished the following advancements in the first quarter of 2009:

- (1) Reduced its operating costs by approximately 30% compared to the fourth quarter of 2008 and 45% from the first three quarters of 2008. These costs have been reduced with minimal impact to operations and the Company will continue to look for additional savings.
- (2) Continues to develop its production and installation processes to find ways to reduce costs both from a material and efficiency perspective. A new bent tab (SMART part) was developed in the quarter, which improves structural products margins, as it will eliminate welding and also allow installers to assemble panels on-site if required.
- (3) Launched the Solution Provider Program, which enables its licensing division to target a broader range of customers, which greatly reduces the cost to entry for new partners and also strengthens its global coverage. The first Solution Provider agreement was signed in April 2009 with a company from South Africa.
- (4) Licensing division signed a strategic business alliance with China Perfect, which will give the Company a strong strategic partner for projects both in and outside of China.
- (5) The Company continues to sell aggressively, which is resulting in new signed contracts.

Backlog as at March 31, 2009 was stable. The Company defines backlog for its licensing division as unrecognized contractual commitments, other than minimum royalty payments,

that have yet to be recognized by the Company. In the case of multi-year/multi-facility commitments made by licensees, the backlog estimate assumes subsequent facilities match the industrial technologies purchased for the first facility. For the structural products division, backlog is the unrecognized portion of signed construction contracts. The timing of these contractual commitments into revenue is uncertain and the possibility exists that contractual commitments can be deferred indefinitely (de-booked). To date, the Company has not experienced any decrease in contractual commitments in backlog, although there has been some delay in the expected start dates for some projects that have yet to commence.

As at March 31, 2009, the Company had a total backlog of approximately \$42.0 million. This represents a growth rate of 11% above backlog of approximately \$38.0 million as at March 31, 2008. As at March 31, 2009, backlog for the licensing division was approximately \$16.0 million, and \$26.0 million for the structural products division.

- (6) The Company continues to closely monitor all receivables and has implemented continual monitoring of collections.
- (7) The Company significantly improved its contribution margin in the first quarter of 2009 for the structural products division, compared to the third and fourth quarters of 2008, from 12.6% and 15.8% respectively, to 20.9%.

All the above initiatives are working towards achieving operating profitably, which is the Company's primary goal in fiscal 2009.

Comparison of the Three Months Ended March 31, 2009 and March 31, 2008

Revenues

(a) Licensing

Licensing revenues for the first quarter of 2009 were \$2,226,000, compared to \$3,217,000 for the same quarter in 2008, representing a decrease of 31%. Revenue for the first quarter of 2009 mainly related to the shipping of MOT industrial equipment to our second Russian licensee, and the remaining revenue related to royalties and services. This was compared to the recognition of the license revenue for the Ukrainian licensee and the shipment of industrial equipment to two licensees in the first quarter of 2008. Revenue for this division is dependent upon the timing of delivering software licenses and industrial equipment, which can cause variability in quarterly results.

(b) Structural Products

Revenues for the structural products division for the first quarter of 2009 were \$2,653,000, compared to \$4,465,000 for the same quarter last year, representing a decrease of 41%. The current economic situation has resulted in a general slowdown in the industry with the start of some projects being delayed until later in 2009. Comparatively, during the first quarter of 2008, the Company had seven projects underway, which was the highest activity level ever before a slowdown later in the year, thus revenue was significantly higher last year.

Direct Cost of Revenues

For licensing revenues, cost of revenues consists of the direct cost of the industrial manufacturing equipment. Direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one quarter, as the only revenue components that have a direct cost are the industrial equipment and miscellaneous supplies sold to licensees.

Direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs.

(a) Licensing

Direct cost of revenues for the licensing division for the first quarter of 2009 was \$1,476,000, or 66% of the licensing division's revenue, compared to \$1,772,000, or 55% of this division's revenue for the first quarter of 2008. This cost increase as a percentage of revenue compared to the same period a year ago is due to the fact that the vast majority of the licensing revenues for the first quarter of 2009 were for industrial equipment that was shipped during the quarter, whereas, in the first quarter of 2008 there was \$721,000 of license revenue recognized, which has significantly less direct costs. Direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenue, industrial equipment revenue, royalty revenue and other revenues recorded in any one quarter.

(b) Structural Products

Direct cost of revenues for structural products were \$2,098,000 for the first quarter of 2009, or 79% of the structural products division's revenue, compared to \$3,627,000, or 81% of this division's revenue for the first quarter of 2008. The decrease in the first quarter of 2009 is mainly attributed to lower steel prices and projects running smoothly.

Research and Development

Research and development ("R&D") costs consist primarily of salaries and other personnel costs, as well as certification and materials costs, including prototypes and testing, associated with new product introductions. Any actual and estimated recoveries from the filing of Scientific Research and Experimental Development ("SR&ED") tax claims made to the Canadian and Ontario governments are netted against these expenses. Until the Company's initial public offering ("IPO") on July 3, 2007, the Company was classified as a Canadian Controlled Private Corporation ("CCPC"). By virtue of being a CCPC up to July 3, 2007, the Company is entitled to a partial cash refund relating to qualified research and development expenditures from the Canadian federal and provincial governments. As a consequence of ceasing to be a CCPC, the federal portion of the investment tax credit earned by the Company is no longer refundable, but is still available as a credit to the Company at a reduced rate to reduce future cash taxes payable.

R&D expense for the first quarter of 2009 was \$150,000 (net of a SR&ED recovery of \$50,000), compared to an expense of \$376,000 (net of a SR&ED recovery of \$57,000) for the same quarter last year, representing a decrease of \$226,000. The reason for the change is that, in 2009, the Company was able to significantly reduce headcount due to lower modifications and development required in its licensing division, and lower than expected volume due to the economic slowdown.

Selling and Marketing

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

Selling and marketing expenses were \$302,000 for the first quarter of 2009, compared to \$591,000 for the same period in 2008. This decrease in expense of \$289,000 is a result of the Company reducing headcount due to the economic slowdown, lower commission costs due to reduced revenue, and lower marketing costs to ensure that marketing efforts are more targeted, and thus, are providing a better return on investment.

Engineering and Project Management

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

Engineering and project management expense for the first quarter of 2009 was \$263,000, compared to \$465,000 for the same quarter last year. This decrease of \$202,000 is primarily the result of the Company trying to strategically reduce costs by increasing efficiency through process improvements and lower activity levels in the structural products division, which is being managed by lower head count.

General and Administrative

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

General and administrative expense was \$693,000 for the first quarter of 2009, compared to \$1,375,000 for the same period a year ago, representing a decrease of \$682,000. The reason for the decrease related to a reduction in salary and benefit costs by approximately \$300,000 in 2009 compared to 2008 was due to a reduction of five employees, and another \$150,000 in general cost reductions due to lower activity and cost saving initiatives. Furthermore, in the first quarter of 2008, the Company recorded a bad debt expense of \$175,000.

Occupancy

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

Occupancy expense for the first quarter of 2009 was \$351,000, compared to \$380,000 for the same quarter last year. The decrease of \$29,000 is related to fewer trailers being required due to lower activity and better management.

Amortization

Amortization costs relate to property, plant and equipment, and intangible assets.

Amortization expense was \$303,000 for the first quarter of 2009, compared to \$269,000 for the same period last year. This increase of \$34,000 relates to the amortization of the new industrial equipment, including MOT, purchased for the Vaughan manufacturing facility.

Foreign Exchange Loss

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

The Company had a foreign exchange loss of \$27,000 in the first quarter of 2009, compared to a loss of \$45,000 for the same period in 2008. These losses are attributable to the fluctuating value of the Canadian dollar vis-à-vis the U.S. dollar.

The majority of the Company's business is transacted in Canadian and U.S. dollars. Since the headquarters of the Company are located in Canada, the majority of the Company's operating expenses are denominated in Canadian dollars. Where possible, the Company tries to have a natural hedge of paying U.S. dollar expenses from U.S. dollar collections, however, there is still some exposure to the risk of fluctuation in the U.S.-to-Canadian dollar exchange rate.

Loan Interest

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

Loan interest expense for the first quarter of 2009 was \$90,000, compared to interest income of \$50,000 for the first quarter of 2008. The expense in 2009 relates to the interest on the non-revolving term loan, financing charges, and the interest from the convertible debenture which was issued on February 23, 2009, which is described further under 'Liquidity and Capital Resources'. In 2008, there was no similar interest expense, but rather interest income related to the interest earned on the cash balance.

Investment income is netted against expenses.

Liquidity and Capital Resources

Since its incorporation in July 2003, the Company has funded its operations and capital resources requirements through the issuance of equity securities, various types of debt financings and deferred revenue. As at the date of this MD&A, the Company has completed two additional financings in the last twelve months as described below. These and any future transactions will allow the Company to continue to execute its business plans and long-term growth strategy.

In July 2008, KML completed a three-year secured non-revolving term loan with a large non-bank Canadian lender. KML received \$1,800,000 in gross proceeds and provided an irrevocable letter of credit to the lender for \$500,000. As no subsidiaries of the Company had a credit facility, an equal amount of the \$500,000 acts as cash collateral for this letter of credit, issued by a Canadian Schedule A bank. This cash has been deemed restricted cash in the balance sheet presentation. As at March 31, 2009, the Company was in compliance with its current ratio covenant. The Company will continue to take steps to improve its liquidity situation, which in turn will ensure its compliance with the covenant.

On February 23, 2009, the Company issued a secured convertible debenture (the “Debenture”) to Codding Enterprises (“Codding”), an associated company of Codding Steel Frame Solutions (“Codding SFS”), which is one of the Company’s existing licensees, for a principal amount of \$1,534,742. The Debenture matures on August 23, 2010 and bears interest at the rate of 10% per annum, and is convertible at the option of Codding into common shares of Genesis at a conversion price of \$0.242. The Debenture is secured by a general security interest in all of the assets of Genesis, which ranks subsequent to the security interest previously granted.

In view of the current operating results and the difficult economic environment, the Company has significantly reduced its operating costs with a view to managing its business based on its anticipated revenues from its licensing arrangements and structural products backlog. The Company began 2009 with \$47.0 million in backlog, and sees the opportunity for additional sales internationally in areas continuing to show growth, such as China, India, and the introduction of a new revenue stream with the Solution Provider Program. Also, in Ontario, Canada, the Company sees potential additional revenues in the government sector, namely, schools and low income housing, which is showing increased activity as part of government stimulus packages. Furthermore, the Company continues to manage its workforce, which is its largest expenditure, and will adjust levels according to the needs of the business. The Company’s required capital expenditures in the near future will be significantly less than in the past two years when the Company upgraded its complete manufacturing facility located in Vaughan, Ontario. Future capital expenditures will be discretionary expenditures that will only be incurred if they can provide tangible cost reductions.

The Company is operating in a very difficult environment due to the global economic slowdown impacting both the construction and financial industries as previously noted. The Company has continued to incur losses, but has also continued to reduce its operating expenses and the corresponding loss in the current quarter. The Company will require continued expenditures for personnel, occupancy and raw material costs, but the current projections show there will be sufficient cash flow to cover these costs through future positive cash flows. The cash balance as at March 31, 2009 was \$423,000 and is not sufficient to meet the Company’s current plan if the Company is unable to collect its receivables in the normal course, and if the going concern assumption was not appropriate for the financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classification used. Actual results can vary from these projections as a result of a number of factors as discussed in the Company’s “AIF”, filed with the Canadian securities regulatory authorities, and accessible on SEDAR at www.sedar.com. If cash projections are not achieved within the expected timelines or timeframe, the Company may need to seek additional equity or debt financing.

As noted in previous quarters, the Company continues to look at options to add additional capital in the form of debt or new capital, which would allow the Company to advance its growth initiatives and improve its liquidity. This initiative has proved challenging due to the current retraction in the global financial markets, but the Company will continue to explore opportunities that are in the market.

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

Selected Balance Sheet and Cash Flow Data

<u>(in thousands of dollars, except working capital ratios)</u>	March 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 423	\$ 167
Working capital	(43)	(759)
Long-term assets	7,166	7,454
Long-term liabilities	3,193	1,986
Working capital ratio	1 to 1	0.9 to 1

Cash Inflows and (Outflows) by Activities

<u>(in thousands of dollars)</u>	March 31, 2009	March 31, 2008
Operating activities	\$ (1,011)	\$ (3,494)
Investing activities	(171)	(565)
Financing activities	1,438	-
Net cash inflows (outflows)	256	(4,059)

Cash Used in Operating Activities

The Company used \$1,011,000 of cash in its operations during the first quarter of 2009; \$534,000 was used to fund the net cash loss for the period; \$535,000 was sourced by the net decrease in accounts receivable, and increases in accounts payable versus increases in the other working capital balances. Inventory held for resale pertaining to Russia, and deferred revenue decreased by \$1,027,000 from year end.

The continued adverse economic environment will impact the Company's exposure to credit risk. The Company monitors operating practices of its customers to identify credit and collection risks in a timely manner and reviews its revenue forecasts based on developing information. Management will continue to monitor and focus on collections and reducing credit risk and bad debt.

Financial Instruments

The fair value of accounts receivable, other receivables, accounts payable and accrued liabilities approximates their carrying value due to the immediate or short-term maturity of these financial instruments. Refer to Note 17 of the December 31, 2008 annual audited consolidated financial statements, which provides additional details on the fair values and credit and customer concentration risk related to these financial instruments. The carrying value of the term debt and the Debenture approximates its fair value due to its interest rate and other terms.

Cash Used in Investing Activities

During the quarter ended March 31, 2009, the Company spent \$171,000 on minimum royalty obligations under the license agreement with Best Joist Inc. ("BJI") for the i-SPAN technology, and invested in patents.

Cash Provided by Financing Activities

During the first quarter of 2009, the Company raised cash through a Debenture (net of costs) of \$1,497,000, which is described further under 'Liquidity and Capital Resources'. Loan principal repayments during the quarter were \$137,000.

Contractual Obligations

The Company's contractual obligations are the same as those disclosed in its annual MD&A and audited consolidated financial statements and accompanying notes for the years ended December 31, 2008 and 2007, filed with the Canadian securities regulatory authorities, and accessible on SEDAR at www.sedar.com.

Contingencies

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the Company's more significant estimates include those related to the allowance for doubtful accounts, property, plant and equipment amortization, cash flow projections with respect to impairment of long-lived assets and assessment of going concern assumption, intangible asset and related amortization, accounts payable and accrued liabilities, revenue and profit recognition related to percentage-of-completion determination and cost estimates in cost of revenues, revenue recognition for license arrangements with multiple elements and stock-based compensation expense. In making such estimates and assumptions, management consults with employees knowledgeable in the area, gathers relevant information, where appropriate, seeks advice from qualified third parties, and makes judgments, which in their opinion at that time, represent fair, balanced and appropriate conservative estimates and assumptions. Actual results could differ from those estimates and the differences may be material.

In the Company's annual MD&A and audited consolidated financial statements and accompanying notes for the years ended December 31, 2008 and 2007, the Company identified the accounting policies and estimates that are critical to the understanding of its business operations and its results of operations. For the three months ended March 31, 2009, there were no changes to the critical accounting policies and estimates from those found in the Company's 2008 annual MD&A.

Adoption of Recent Canadian Accounting Pronouncements in 2009

Goodwill, Intangible Assets and Financial Statement Concepts

The Canadian Institute of Chartered Accountants ("CICA") has issued a new accounting standard, Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Company beginning January 1, 2009. The adoption of the new standards did not have a material impact on the Company's consolidated financial statements.

Related Party Transactions

Lease

Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years commencing on January 31, 2007, and expires on December 31, 2016, renewable for a further 10 years with prior written notice. Annual base rent is \$727,000. The Company is also liable for additional rent for operating costs, utilities and taxes.

Commercial Contracts

Zuzum Acquisition Inc., a beneficial shareholder of the Company, is an affiliate of Muzzo Brothers Group Inc., which is a contract customer of the Company with regular credit terms. Revenues earned during the first quarter of 2009 were \$61,000, and \$123,000 for the same period a year ago. The amount included in accounts receivable as at March 31, 2009 was \$74,000, and \$351,000 as at March 31, 2008.

Codding, a beneficial shareholder of the Company, is the parent company of Codding SFS, which is a licensee of the Company with regular contract terms. Revenues earned from Codding SFS during the first quarter of 2009 were \$75,000 and \$1,044,000 for the same period a year ago. The amount included in accounts receivable as at March 31, 2009 was \$nil and \$23,000 as at March 31, 2008.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of March 31, 2009.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standard Board (“AcSB”) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including Genesis Worldwide Inc., effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report comparative interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company is assessing the implementation impacts of conversion to IFRS including transitional options, changes to accounting policies and processes, information systems, and business management. The full impact of adopting IFRS on the Company’s future financial position and results has not been determined at this time.

Share Capital

As at the date of this MD&A there were –

- 30,982,858 common shares issued and outstanding;
- 835,712 purchase warrants outstanding, which entitle the holder to acquire 835,712 common shares of the Company; and
- 2,085,924 common share options are outstanding under the Company’s stock option plan to purchase common shares of the Company (Refer to Note 11 of the December 31, 2008 annual audited consolidated financial statements).

Risk Factors

Many factors could cause the actual results of the Company to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements. Each of these factors is listed in the “Risk Factors” section contained in the Company’s AIF.

Changes in Internal Controls over Financial Reporting

During the three months ended March 31, 2009, the Company did not make any significant changes in, nor take any corrective actions regarding, its internal controls or other factors that could significantly affect these controls. The Company periodically reviews its internal controls and conducts an evaluation of its disclosure controls and procedures each quarter.

Selected Consolidated Quarterly Financial Information

The following tables provide an analysis of the Company's unaudited operating results for each of the quarters ended on the date indicated.

(in thousands of dollars, except per share data)	Three Months Ended			
	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Revenues	\$ 4,879	\$ 4,452	\$ 5,302	\$ 3,826
Direct cost of revenues	3,574	3,208	3,634	2,658
Operating expenses	1,759	2,574	3,144	3,214
Net income (loss)	(945)	(1,693)	(1,907)	(2,389)
Basic and diluted loss per share	(0.03)	(0.05)	(0.06)	(0.08)
Total assets	\$ 16,139	\$ 17,339	\$ 17,842	\$ 21,910

(in thousands of dollars, except per share data)	Three Months Ended			
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
Revenues	\$ 7,682	\$ 8,398	\$ 7,038	\$ 5,018
Direct cost of revenues	5,400	5,481	4,551	3,520
Operating expenses	3,186	2,491	3,360	3,225
Net income (loss)	(1,241)	191	(873)	(1,727)
Basic and diluted earnings (loss) per share	(0.04)	0.01	(0.03)	(0.08)
Total assets	\$ 21,456	\$ 24,743	\$ 25,785	\$ 15,995