



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

Dated: August 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 June 30, 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](http://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 August 7, 2009, and is current to that date, unless otherwise stated. The Company's fiscal year commences January 1<sup>st</sup> of each year and ends on December 31<sup>st</sup> 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](http://www.genesisworldwide.com) or through the SEDAR website maintained by the Canadian securities regulatory authorities, which can be accessed at [www.sedar.com](http://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](http://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 and six-month periods ended June 30, 2009 and 2008, respectively, has been derived from the unaudited consolidated interim financial statements and accompanying notes for the three and six-month periods ended June 30, 2009 and 2008, as well as the December 31, 2008 annual audited consolidated financial statements. The financial information for the three and six-month periods ended June 30, 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		Six Months Ended	
	June 30		June 30	
(in thousands of dollars, except share data)	2009	2008	2009	2008
Revenues				
Licensing	\$ 806	\$ 1,347	\$ 3,031	\$ 4,564
Structural products	2,253	2,479	4,906	6,944
Total revenues	3,059	3,826	7,937	11,508
Direct cost of revenues				
Licensing	70	48	1,546	1,821
Structural products	1,868	2,610	3,966	6,237
Total direct cost of revenues	1,938	2,658	5,512	8,058
	1,121	1,168	2,425	3,450
Operating Expenses				
Research and development	126	294	325	727
SR&ED investment tax credit	(45)	(16)	(95)	(73)
Selling and marketing	403	713	703	1,304
Engineering and project management	444	554	708	1,019
General and administration	920	1,314	1,614	2,688
Occupancy	349	355	700	735
	2,197	3,214	3,955	6,400
Loss before other expenses	(1,076)	(2,046)	(1,530)	(2,950)
Amortization	304	302	607	571
Debenture and loan interest expense (income)	115	--	179	(52)
Minimum royalty accretion	62	74	128	147
Foreign exchange (gain)/loss	1	(33)	28	13
Other	62	--	92	--
	544	343	1,034	679
Net loss and comprehensive loss				
for the period	\$ (1,620)	\$ (2,389)	\$ (2,564)	\$ (3,629)
Net loss per share – basic and diluted	\$ (0.05)	\$ (0.08)	\$ (0.08)	\$ (0.12)
Weighted average number of common shares outstanding – basic and diluted	30,982,858	30,982,858	30,982,858	30,982,858

## Consolidated Balance Sheet Data

(in thousands of dollars)	As at June 30, 2009	As at December 31, 2008
Cash and cash equivalents	\$ 269	\$ 167
Accounts receivable	7,282	7,781
Total assets	15,574	17,339
Total liabilities	12,919	12,630
Shareholders' equity	2,655	4,709

### 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 and solution providers 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 first six months of the year has continued to show an unpredictable global economy that has resulted in a volatile and uncertain environment which has continued to present 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](http://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 effect on the financial industry has resulted in builder financing still being scarce 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 impact on markets has varied greatly. In the year to date, it appears that almost all markets globally have been significantly impacted by the global economic downturn, whilst some markets are being impacted more than others and some areas, such as India and Asia, are even showing position gains. The impact of this slowdown resulted in the licensing division delaying further growth in Eastern and Central Europe, and refocusing its efforts on identifying opportunities in the remaining growth areas such as China and India. As a result of this refocus, it is expected to take some time for the Company to penetrate some of these new markets as explained below. The Company has also experienced some delays in the commissioning of plants and the commencement of royalty payments from some of its Eastern European licensees, however, the Company expects that this is a temporary situation and will continue to work with these licensees in an effort to assist them through this difficult time.

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 showing activity, which means both geographically and by segment.

The Company anticipates long and short term construction trends and green building movements in Asia, India, the Middle East, and California. As a result, Genesis is focusing its efforts into expansion in these markets. In Asia, the Company signed its first licensee during the quarter in this market (Vietnam), and signed a strategic alliance with a builder in the region (China Perfect). Furthermore, in June 2009, the Chinese government modified their building codes to allow the use of light gauge steel for certain types of construction, which is positive news for the overall potential in the market and also increases the likelihood of signing new licensees in China and the rest of the region. India is another market showing positive growth and a target market for the Company as its long term potential is significant. The Company will continue to allocate sales and marketing efforts there in 2009, with the hope to achieve penetration in India by 2010. Lastly, the Middle East and California are markets where the Company has existing licensees and are areas that continue to have long term building needs and have accepted green building values. As a result, the Company has also targeted these as key markets and, during the quarter, the Company provided additional sales and marketing support to these licensees to assist them in gaining better penetration in these strategic markets.

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. The biggest impact on the Company's structural products division has been the decline in the U.S. housing market, and the impact this has had on wood pricing in Ontario. Given the dramatic decline in the U.S. construction market, the demand for Canadian lumber has dropped significantly and, as a result, wood prices are at their lowest level in 30 years. This has impacted the Company's ability to compete in the residential market, particularly for buildings less than four storeys, which was, in the past, the primary business of the structural products division. Therefore, although there has been a definite slowdown in residential projects, there continues to be some new activity in government supported projects, such as low income housing, retirement homes and schools. Thus, the structural products division has shifted its focus on these 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, although prices in July 2009 were starting to edge back up, which could be a negative trend for the Company during the latter part of the year. 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, as noted above, 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 as well as trying to partner with suppliers to try and stabilize raw material costs. The Company continues 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. The Company began implementing these innovations during the first part of fiscal 2009 and the result has been increased customer satisfaction and lower overall manufacturing costs due to the flexibility and increased efficiencies that these pieces create. 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 additional potential customers who are not full licensees, known as Solution Providers, around these areas, so that it will increase the rate at which the acceptance of light gauge steel as a structural material is achieved. In addition, it will also develop an increased distribution network for the licensee and the Company. The Solution Provider Program will also allow some potential future licensees 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.

## Overall Performance and Response to Market Conditions

In light of the extremely tough economic conditions experienced in recent months, 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, distributor and a provider of green products. As a result of this focus, the Company accomplished the following achievements during the second quarter:

- (1) The licensing division signed a new licensee in Vietnam, and has received a down payment from a new potential licensee in Iran.
- (2) Continued to stabilize its operating costs in the second quarter, which are still down by approximately 15% compared to the fourth quarter of 2008, and 31% 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.
- (3) Continued to develop its production and installation processes to find ways to reduce costs both from a material and efficiency perspective. During the quarter, the Company installed an upgraded operating system for its MOT line which will allow the structural products division to manufacture even more of its own parts from steel coils.
- (4) 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 two Solution Provider agreements were signed in April 2009 with a company from South Africa, and in July 2009 with a company from Nigeria.
- (5) The licensing division signed a strategic business alliance with China Perfect, which will give the Company a strong strategic partner who will award licensees projects both in and outside of China. The new alliance should also assist in signing a licensee in China.
- (6) The Company continues to target strategic verticals and sell aggressively, which is resulting in a stronger sales pipeline of qualified leads for both divisions, although as at June 30, 2009 it has resulted in lower backlog than in recent quarters

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 June 30, 2009, the Company had a total backlog of approximately \$40.0 million. This represents a reduction from backlog of approximately \$42.0 million as at March 31, 2009. As at June 30, 2009, backlog for the licensing division was approximately \$15.0 million, and \$25.0 million for the structural products division.

- (7) In May 2009, the Company issued a second series of secured convertible debentures for \$1.5 million to assist with its operating needs. Subsequent to June 30<sup>th</sup>, 2009, the Company closed two private placements for a total \$1.825 million, which resulted in additional capital. The private placements also triggered the automatic conversion of all the convertible debentures as at June 30, 2009. The result of this conversion was a cumulative increase in share capital of \$4.9 million year to date, and removed the repayment obligation of approximately \$3.0 million related to the convertible debentures, which significantly strengthens the Company's balance sheet.

- (8) Lastly, the Company signed an amendment with Best Joist Inc. on July 3, 2009 related to the i-SPAN agreement which was originally signed on November 10, 2004. The amendment resulted in minimum royalty payments being treated as future royalty credits for payments made in excess of \$0.02 per pound of i-SPAN manufactured. The Company will be able to use this credit in the future, which will reduce cash outflows starting in 2011, after all the minimum royalty payments have been made.

All the above initiatives are working towards achieving operating profitably, which the Company will endeavour to do in fiscal 2009.

### **Comparison of the Three Months Ended June 30, 2009 and June 30, 2008**

#### ***Revenues***

##### **(a) Licensing**

Licensing revenues for the second quarter of 2009 were \$806,000, compared to \$1,347,000 for the same quarter in 2008, representing a decrease of 40%. Revenue for the second quarter of 2009 mainly related to the recognition of license revenue for our new licensee in Vietnam, and the remaining revenue related to royalties and services. This was compared to the recognition of the license revenue for two licensees – Russia and Saudi Arabia – in the second 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.

Licensing revenues for the six months ended June 30, 2009 were \$3,031,000, compared to \$4,564,000 for the same period in 2008, representing a decrease of 34%. During the first six months of 2009, the Company delivered software to a new licensee, delivered a MOT line to one of the Russian licensees, and earned royalty income and revenue from other services provided to licensees. For the first six months of 2008, the Company executed three new license agreements, shipped industrial equipment to licensees, and earned royalty income and revenue from other services provided to licensees.

##### **(b) Structural Products**

Revenues for the structural products division for the second quarter of 2009 were \$2,253,000, compared to \$2,479,000 for the same quarter last year, representing a decrease of 9%. Structural products revenues for the first six months of 2009 were \$4,906,000, compared to \$6,944,000 for the same period in 2008, representing a decrease of 29%. 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 half 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. In spite of the tough current operating environment, the Company anticipates that revenues for the structural products division in fiscal year 2009 will exceed revenues for fiscal 2008, with a stronger second half.

#### ***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 second quarter of 2009 was \$70,000, or 8% of the licensing division's revenue, compared to \$48,000, or 4% of this division's revenue for the second quarter of 2008. 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. In both the second quarter of 2009 and 2008, the majority of the revenue earned related to software which has a lower cost to the Company.

Direct cost of revenues for the licensing division for the first six months of 2009 were \$1,546,000, or 50% of the licensing division's revenue, compared to \$1,821,000, or 40% of this division's revenue for the same period in 2008. The Company's mix of sales amongst license fees, industrial equipment, royalty income, services income, and miscellaneous items will impact this percentage.

(b) **Structural Products**

Direct cost of revenues for structural products were \$1,868,000 for the second quarter of 2009, or 83 % of the structural products division's revenue, compared to \$2,610,000, or 105% of this division's revenue for the second quarter of 2008. In general, the direct cost of revenues for the structural products division have decreased in the last year due to the implementation of the MOT line, lower steel prices, and continual manufacturing improvements. The Company is actually targeting less than 80% for direct costs as a percentage of revenue. During the current quarter, the division experienced some additional costs as a result of some damage to previously manufactured goods that were stored in its yard over the winter. The Company estimates that this incremental cost was approximately \$200,000, or 9% of revenue, but it has made adjustments to ensure in similar conditions this will not occur again. In the second quarter of 2008, the division experienced significant cost overruns of approximately \$530,000 as a result of defective products and services provided by third party vendors for three contracts, which the division remedied at its own expense.

Direct cost of revenues for structural products were \$3,966,000 for the first six months of 2009, or 81% of the structural products division's revenue, compared to \$6,237,000, or 90% of this division's revenue for the same period in 2008.

***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 second quarter of 2009 was \$81,000 (net of a SR&ED recovery of \$45,000), compared to an expense of \$278,000 (net of a SR&ED recovery of \$16,000) for the same quarter last year, representing a decrease of \$197,000, which was due to a reduction in headcount due to lower modifications and development required in its licensing division, and less available funds due to the economic slowdown.

R&D expense for the first six months of 2009 was \$230,000, compared to \$654,000 for the same period last year. This decrease of \$424,000 is due to a decrease in headcount. SR&ED recovery for the first six months of 2009 was \$95,000, compared to \$73,000 for the first six months of 2008, which has been netted against the costs above.

***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 \$403,000 for the second quarter of 2009, compared to \$713,000 for the same period in 2008. This decrease in expense of \$310,000 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.

Selling and marketing expenses for the first six months of 2009 were \$704,000, compared to \$1,304,000 for the same period in 2008. The decrease of \$600,000 reflects reduced head count and the closure of offices in Ireland and the United States.

### ***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 second quarter of 2009 was \$444,000, compared to \$554,000 for the same quarter last year. This decrease of \$110,000 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.

Engineering and project management expense for the first six months of 2009 was \$708,000, compared to \$1,019,000 for the same period the pervious year. This decrease of \$311,000 relates to a decrease in engineering headcount.

### ***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 \$921,000 for the second quarter of 2009, compared to \$1,314,000 for the same period a year ago, representing a decrease of \$393,000. The reason for the decrease related to a reduction in salary and benefit costs by approximately \$291,000 in 2009 compared to 2008, due to a reduction of five employees and cost saving initiatives (ie. lower health benefit and insurance costs, delisting from AIM, etc). Furthermore, in the second quarter of 2008, the Company recorded a bad debt expense of \$330,000, versus \$228,000 in 2009.

General and administration expense was \$1,614,000 for the first six months of 2009, compared to \$2,688,000 for the same period a year ago. This decrease of \$1,074,000 consists of decreased salary costs due to lower headcount and benefit costs of \$590,000, \$176,000 due to lower activity and cost saving initiatives, and a reduction in bad expense compared to the first six months 2008 by \$308,000.

### ***Occupancy***

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

Occupancy expense for the second quarter of 2009 was \$349,000, compared to \$355,000 for the same quarter last year. The decrease of \$6,000 is related to fewer trailers being required due to better management.

Occupancy expense for the first six months of 2009 was \$700,000, compared to \$735,000 for the same period in 2008, representing a decrease of \$35,000, which relates to a reduced number of trailer rentals.

### ***Amortization***

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

Amortization expense was \$304,000 for the second quarter of 2009, compared to \$302,000 for the same period last year. This increase of \$2,000 relates to the amortization of the new industrial equipment, including MOT, purchased for the Vaughan manufacturing facility for a full quarter in 2009.

Amortization expense was \$607,000 for the first six months of 2009, compared to \$571,000 for the same period last year. This increase of \$36,000 relates to the amortization of the new industrial equipment, including MOT, purchased for the Vaughan manufacturing facility for a full six months in 2009.

### ***Foreign Exchange Gain/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 \$1,000 in the second quarter of 2009, compared to a gain of \$33,000 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 Company had a foreign exchange loss of \$28,000 for the first six months of 2009, compared to a loss of \$13,000 for the same period a year ago, which was 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 and Investment Income***

Loan interest expense relates to the carrying cost of carrying debt, net of any interest earned on cash deposits. Investment income relates to the investment of excess cash into short-term liquid investments.

Loan interest expense for the second quarter of 2009 was \$115,000, compared to interest expense of \$nil for the second 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 debentures which were issued on February 23 and May 22, 2009, which are 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.

Loan interest expense for the first six months of 2009 was \$179,000, compared to interest income of \$52,000 for the same period in 2008.

Investment income is netted against interest 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 five additional financings in the last twelve months as described below. These, and any future transactions, are anticipated to 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 June 30, 2009, the Company was in compliance with its current ratio covenant. The Company will continue to take steps to improve its liquidity situation, which it anticipates 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.

On May 22, 2009, the Company issued additional secured convertible debentures (the “Additional Debentures”) for the total principal amount of \$1,500,000. Coddling and its associated companies (“Debenture Holders”) acquired \$1,325,000 of the Additional Debentures. The Additional Debentures mature on November 22, 2010 and bear interest at the rate of 10% per annum, and are convertible at the option of the Debenture Holders into common shares of Genesis at a conversion price of \$0.242. The Additional Debentures are secured by a general security interest in all of the assets of Genesis, which ranks *pari passu* with the Debenture and subsequent to the security interest previously granted to the non-bank lender. In addition, an automatic conversion clause was added to the Additional Debentures, as well as to the Debenture. The conversion clause stipulates that if the Company raised an additional \$1.5 million in equity through a transaction or a series of transactions, the Debentures and Additional Debentures would automatically convert into common shares.

In July 2009, the Company completed two private placements for gross proceeds of \$1,825,000 for the issuance of 7,300,000 common shares, with a half warrant attached to each share. The warrants are exercisable at \$0.35 cents per share for each full warrant and expire in July 2013. Also, as a result of the private placements being in excess of \$1.5 million, all the secured convertible debentures that were outstanding as at June 30, 2009 were automatically converted into common shares. This automatic conversion strengthened the Company’s balance sheet significantly as it removed approximately \$3.0 million in secured debt and converted it into share capital.

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 has approximately \$40.0 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 shift in revenues towards 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 is anticipated to 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 year to date. 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 the capital transactions noted above and future positive cash flows. The cash balance as at June 30, 2009 was \$269,000 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](http://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 fund raising, 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**

(in thousands of dollars, except working capital ratios)	As at June 30, 2009	As at December 31, 2008
Cash and cash equivalents	\$ 269	\$ 167
Working capital	(47)	(759)
Long-term assets	6,878	7,454
Long-term liabilities	4,175	1,986
Working capital ratio	1 to 1	0.9 to 1

**Cash Inflows and (Outflows) by Activities**

(in thousands of dollars)	For the Six Months Ended	
	June 30, 2009	June 30, 2008
Operating activities	\$ (2,347)	\$ (4,410)
Investing activities	(348)	(1,398)
Financing activities	2,797	--
Net cash inflows (outflows)	102	(5,808)

***Cash Used in Operating Activities***

The Company used \$2,347,000 of cash in its operations during the first six months of 2009; \$1,724,000 was used to fund the net cash loss for the period; \$499,000 was sourced by the increase in accounts receivable, while \$502,000 was used to pay down accounts payable. The amount of inventory held for resale and deferred revenue decreased by \$708,000 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, filed with the Canadian securities regulatory authorities, and accessible on SEDAR at [www.sedar.com](http://www.sedar.com), 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 convertible debentures approximates their fair value due to their interest rates and other terms.

***Cash Used in Investing Activities***

During the six months ended June 30, 2009, the Company spent \$340,000 on minimum royalty obligations under the license agreement with Best Joist Inc. for the i-SPAN technology, and invested in patents.

***Cash Provided by Financing Activities***

During the first six months of 2009, the Company raised cash through the issuance of convertible debentures (net of costs) of \$2,953,000, which are described further under 'Liquidity and Capital Resources'. Loan principal repayments during the six months ended June 30, 2009 were \$276,000.

### ***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](http://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 2008 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 and six-months ended June 30, 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 second quarter of 2009 were \$nil, and \$25,000 for the same period a year ago. The amount included in accounts receivable as at June 30, 2009 was \$26,000, and \$13,718 as at June 30, 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 second quarter of 2009 were \$82,000, and \$47,000 for the same period a year ago. The amount included in accounts receivable as at June 30, 2009 was \$nil, and \$85,000 as at June 30, 2008.

### ***Convertible Debenture***

The Company is also liable to pay out interests at the maturity dates of the convertible debentures. As at June 30, 2009, the Company has incurred a total of \$66,000 of interest, and \$nil as at June 30, 2008

### ***Off-Balance Sheet Arrangements***

The Company does not have any “off-balance sheet” arrangements as of June 30, 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 –

- 50,833,110 common shares issued and outstanding;
- 4,485,712 purchase warrants outstanding, which entitle the holders to acquire 4,485,712 common shares of the Company; and
- 2,382,674 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 and six-months ended June 30, 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			
	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008
Revenues	\$ 3,059	\$ 4,879	\$ 4,452	\$ 5,302
Direct cost of revenues	1,938	3,574	3,208	3,634
Operating expenses	2,197	1,759	2,574	3,144
Net income (loss)	(1,620)	(945)	(1,693)	(1,907)
Basic and diluted loss per share	(0.05)	(0.03)	(0.05)	(0.06)
Total assets	\$ 15,574	\$ 16,139	\$ 17,339	\$ 17,842

(in thousands of dollars, except per share data)	Three Months Ended			
	June 30, 2008	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007
Revenues	\$ 3,826	\$ 7,682	\$ 8,398	\$ 7,038
Direct cost of revenues	2,658	5,400	5,481	4,551
Operating expenses	3,214	3,186	2,491	3,360
Net income (loss)	(2,389)	(1,241)	191	(873)
Basic and diluted earnings (loss) per share	(0.08)	(0.04)	0.01	(0.03)
Total assets	\$ 21,910	\$ 21,456	\$ 24,743	\$ 25,785