



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

Dated: February 26, 2008

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 audited consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2007, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. The audited consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2007 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 February 26, 2008, 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, 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 final prospectus, a copy of which is available 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. 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 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 years ended December 31, 2007 and 2006 have been

derived from the audited consolidated financial statements and accompanying notes as at and for the years ended December 31, 2007 and 2006. The financial information for the three month period ended December 31, 2007 and 2006 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 the annual audited consolidated financial statements and the notes thereto.

Consolidated Statements of Operations Data

(in thousands of dollars, except share data)	Three Months Ended December 31		Fiscal Year Ended December 31	
	2007	2006	2007	2006
Revenues				
Licensing	\$ 1,648	\$ 3,029	\$ 8,523	\$ 3,507
Structural Products	6,750	4,719	15,920	16,706
Total revenues	8,398	7,748	24,443	20,213
Direct cost of revenues				
Licensing	522	1,552	4,049	1,731
Structural Products	4,959	4,563	12,119	16,154
Total direct cost of revenues	5,481	6,115	16,168	17,885
	2,917	1,633	8,275	2,328
Expenses				
Research and development (recovery)	282	268	1,077	1,041
SR&ED investment tax credit	(351)	--	(771)	--
Selling and marketing	596	438	1,924	1,341
Engineering and project management	427	324	1,741	1,369
General and administrative	1,089	1,045	4,339	3,592
Occupancy	448	292	1,518	1,182
Plant commissioning and restructuring costs	--	--	776	--
	2,491	2,367	10,604	8,525
Income (loss) before other expenses	426	(734)	(2,329)	(6,197)
Amortization	274	240	985	886
Debenture and loan interest expense (income)	(109)	95	914	148
Minimum royalty accretion	76	73	299	293
Foreign exchange gain	(6)	(21)	(19)	(65)
	235	387	2,179	1,262
Net income (loss) and comprehensive income (loss) for the period	\$ 191	\$ (1,121)	\$ (4,508)	\$ (7,459)
Net income (loss) per share – basic and diluted	\$ 0.01	\$ (0.05)	\$ (0.17)	\$ (0.36)
Weighted average number of common				
shares outstanding - basic	30,982,858	20,982,858	25,969,159	20,982,858
- diluted	32,492,486	20,982,858	25,969,159	20,982,858

Consolidated Balance Sheet Data

(in thousands of dollars)	As at December 31, 2007	As at December 31, 2006
Cash and cash equivalents	\$ 5,988	\$ 1,011
Total assets	25,635	13,221
Total liabilities	13,865	12,401
Shareholders' equity	11,770	820

Overview

Genesis develops and licenses light steel structural building technologies aimed at the residential, commercial and institutional building markets. Genesis offers licensees a turn-key solution enabling them to custom design, manufacture and install complete light steel building structures (the “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 Company’s licensing division operates worldwide and the markets vary greatly. From management’s perspective, markets that are showing growth in new construction include Russia, the United Arab Emirates, and Saudi Arabia. Weak market conditions currently exist in the United States. One advantage of the Genesis Solution is its diversity. The hardest hit segment of the U.S. market is single family homes, while the commercial and institutional building market didn’t suffer in the same manner. The Genesis Solution can be applied equally to single family homes, as well as the commercial and institutional building markets under six storeys. Finally, new construction in markets such as Great Britain and Spain has slowed or is not showing any growth at all.

The Company’s structural products division operates primarily in the Ontario, Canada marketplace, and the new construction market for Ontario is forecasted for continued growth; albeit at rates lower than the past several years.

The use of light gauge steel as the structural material worldwide is still in its infancy. The Company estimates that the worldwide market share for light gauge steel is 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.

Overall Performance

The Company accomplished two very significant milestones in the fourth quarter of 2007:

- (1) achieved record sales for the quarter and for the year; and
- (2) achieved profitability for the quarter.

The Company has a dual strategy for growth and profitability: (i) expand its licensing business worldwide; and (ii) expand and improve its structural products offering in the Ontario marketplace, through its wholly-owned subsidiary, KML Engineered Homes Ltd. (“KML”). The Company executed on both of these strategies during the fourth quarter of 2007.

The fourth quarter of 2007 was extremely active for the Company’s licensing division. The Company commissioned the manufacturing facilities of two licensees, located in the United Arab Emirates and Iran. As well, the Company signed its largest licensing agreement in its history with Greenford Trading Limited (“Greenford”), for a license in the territory of Moscow and surrounding regions of Russia. Under this license agreement, Greenford will build three plants within their territory by June 2010, with the first plant to be completed by June 2008. The total revenue stream to the Company over the next five years, including minimum royalty payments are estimated to exceed \$14.0 million.

For the fiscal year ended December 31, 2007, the licensing division had record revenues of \$8,523,000, compared to \$3,507,000 for the same period in 2006. Contribution margins for the fiscal year 2007 were 52%, compared to 51% for the fiscal year 2006. This division’s net income for the fiscal year 2007 was \$2,041,000, compared to a net loss of \$157,000 for the same period in 2006. Revenue for this division is

dependent upon the timing of delivering software licenses and industrial equipment and this will vary amongst any individual quarter.

At the beginning of 2007, the Company projected that it would commission three licensee plants during the year. The Company actually commissioned four plants in 2007; namely the Kingdom of Spain, Northern California, the United Arab Emirates and Iran. These plants are now ready to offer the Genesis Solution to their marketplaces.

From a technological standpoint, the Company began rolling out its latest advancement, Material Optimization Technology (“MOT”), during the fourth quarter of 2007. MOT completes the full advancement of the Company’s Coil-to-Panel (“CTP”) technology, which will allow licensees, including KML, to lower their costs in both light steel and labour. The Company delivered a partial shipment of MOT to its licensee in Northern California in the fourth quarter of 2007 and will complete the shipment during the first quarter of 2008. As well, KML will receive and install MOT during the first quarter of 2008.

The Company intends to invest significantly more in its sales and marketing activities worldwide in its licensing division. During the fourth quarter, the Company hired a Director for European licensing sales and will be establishing a European sales office during 2008 in Ireland. The Company plans on hiring additional sales executives in 2008. Investment in sales resources for licensing worldwide will continue to be a key element of the Company’s licensing strategy worldwide.

The structural products division of the Company had a very successful quarter. Record sales, contribution margins and profitability were all achieved during the fourth quarter of 2007. Sales for the fourth quarter of 2007 were \$6,750,000, representing a growth rate of 43% over the fourth quarter of 2006. This division had a loss of \$3,056,000 for the fiscal year 2007, compared to a loss of \$5,677,000 for the same period in 2006. This turn-around is a direct result of the Company’s focus on commercializing this division after many years of running KML as its live laboratory, helping to improve the Genesis Solution and prepare it for licensing worldwide. KML is now poised to compete effectively and profitably in the Ontario marketplace.

Geographically, the Company’s structural products revenues are earned primarily in Ontario, Canada where the vast majority of its research and development activities take place. While the Company’s base is Canada, its focus for licensing activities is international. In addition to Canada, the Company divides the international markets into three sub-segments in order to manage and focus its marketing efforts: United States; Europe, the Middle East and Africa (“EMEA”); and the rest of the world (“ROW”). The following table highlights the Company’s revenues for these geographical regions:

(in thousands of dollars)	Three Months Ended December 31		Fiscal Year Ended December 31	
	2007	2006	2007	2006
Canada	\$ 6,761	\$ 4,744	\$ 16,045	\$ 15,781
United States	560	1,532	4,061	2,886
EMEA	335	1,471	3,551	--
ROW	741	--	786	1,546
	<u>\$ 8,398</u>	<u>\$ 7,747</u>	<u>\$ 24,443</u>	<u>\$ 20,213</u>

Revenues and Expenses

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

Research and development costs consist primarily of salaries and other personnel costs, as well as certification and materials costs, including prototypes and testing, associated with new product introductions. 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 will no longer be refundable but will still be available to the Company at a reduced rate to reduce future cash taxes payable.

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.

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

General and administrative expense relates to general personnel costs, insurance, professional fees relating to tax, legal and accounting reviews, 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.

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

Plant commissioning and restructuring costs consist of costs associated with the relocation and set-up of the former KML operation in Cambridge, Ontario, and Light Steel Joist Solutions Inc., the Company’s i-SPAN operation in Woodbridge, Ontario, to the Company’s new facility located in Vaughan, Ontario. These costs include severance costs, moving costs, duplicate rent payments, set-up costs, and rental penalties.

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

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

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

Minimum royalty accretion is the imputed interest costs related to the capitalization of the minimum royalty payments to be made under the Company’s agreement with Best Joist Inc. (“BJI”) from which it licenses certain technologies for use in i-SPAN in the Canadian and United States markets.

The majority of the Company’s business is transacted in 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. As such, the Company is exposed to the risk of fluctuation in the U.S.-to-Canadian dollar exchange rate.

Comparison of the Three Months and Year Ended December 31, 2007 and December 31, 2006

Revenues

(a) Licensing

Licensing revenues for the fourth quarter ended December 31, 2007 was \$1,648,000, compared to \$3,029,000 for the same period in 2006. Revenue for this division is dependent upon the timing of delivering software licenses and industrial equipment so comparisons between any two quarters may be distorted. Year to date comparisons are a more accurate indicator of revenue trends.

Licensing revenues for the year ended December 31, 2007 were \$8,523,000, which was the highest annual licensing revenue ever recorded by the Company, compared to \$3,507,000 for the same period a year ago, reflecting a growth rate of 143%.

(b) Structural Products

The structural products division had record sales of \$6,750,000 for the fourth quarter of 2007. This represented a growth rate of 43% above the \$4,719,000 in sales recorded during the fourth quarter of 2006. During the quarter, the structural products division had a total of seven projects underway, which was the most activity this division has ever undertaken at any one time. Management believes that the demand for the Genesis Solution remains strong in the Ontario region.

For the year ended December 31, 2007, revenue from the structural products division was \$15,920,000, a decrease of \$786,000 from fiscal year 2006 revenue of \$16,706,000. During the second quarter of 2007, the Company shut down its structural products manufacturing operations in Cambridge, Ontario and re-located the manufacturing operation to its new facility in Vaughan, Ontario. This move resulted in the complete cessation of panel and truss manufacturing for a four-week period, followed by another eight weeks of training for new employees. During this twelve-week period, revenue was minimal, particularly compared to the corresponding period in 2006 and accounts for the decrease in revenue between 2007 and 2006.

Direct Cost of Revenues

(a) Licensing

Direct cost of revenues for licensing for the fourth quarter of 2007 was \$522,000, or 32% of the licensing division's revenue, compared to \$1,552,000, or 51% of this division's revenue for the same period a year ago. This change is the result of shipping more equipment in the fourth quarter of 2006 versus 2007.

Direct cost of revenues for licensing for the year ended December 31, 2007 were \$4,049,000, or 48% of the licensing division's revenue, compared to \$1,731,000, or 49% of this division's revenue for the same period in 2006.

(b) Structural Products

Direct cost of revenues for structural products were \$4,959,000 for the fourth quarter of 2007, or 73% of the structural products division's revenue, compared to \$4,563,000, or 97% of this division's revenue for the fourth quarter of 2006. This significant improvement is a result of the Company's strategy of switching the structural products division from being a live laboratory, to becoming a commercial enterprise, as well as improvements made in the manufacturing and installation process the Company implemented throughout the year.

Direct cost of revenues for structural products were \$12,119,000 for the year ended December 31, 2007, or 76% of the structural division's revenue, compared to \$16,154,000, or 97% of this division's revenue for the same period a year ago. Fiscal year 2007 was a significant year for the Company's structural products division as it validated the Company's belief that a higher quality structural product, light gauge steel, can compete very effectively with the traditional building materials of wood or concrete.

Research and Development

Research and development (“R&D”) expense for the fourth quarter of 2007 was \$282,000, compared to \$268,000 for the same quarter last year. The 2005 and 2006 SR&ED claim recognized was \$351,000 in the fourth quarter of 2007 and nil in the same period of 2006. For the year ended December 31, 2007, a total of \$771,000 has been recorded as SR&ED refunds and nil for the same period last year.

Sales and Marketing

Sales and marketing expense was \$596,000 for the fourth quarter ended December 31, 2007, compared to \$438,000 for the fourth quarter of 2006. This increase in expense of \$158,000 reflects the addition of new employees in the licensing sales area; increased participation in international tradeshows, plus increased commissions paid in the structural products division. This expense will continue to grow as we increase the Company’s sales and marketing complement throughout the world, along with increasing our marketing activities to support the worldwide licensing of the Genesis Solution.

Sales and marketing expense was \$1,924,000 for the year ended December 31, 2007, compared to \$1,341,000 for the same period last year. This increase of \$583,000 reflects the addition of new employees in both licensing and structural products; the increased participation in tradeshows and marketing activities in the licensing division, plus the additional commission expenses due to the increased sales in the licensing division.

Engineering and Project Management

Engineering and project management expense for the fourth quarter of 2007 was \$427,000, compared to \$324,000 for the same quarter last year. This increase of \$103,000 is a direct result of increased staff levels to support the current and anticipated activities of our licensees and KML. To this end, during the first quarter of 2008, the Company is in the process of establishing a satellite engineering office in Ankara, Turkey to support the expected demands of licensees.

Engineering and project management expense for the year ended December 31, 2007 was \$1,741,000, compared to \$1,369,000 for the same period last year. This increase of \$372,000 reflects the increase in staff levels that started during the first quarter of 2007.

General and Administrative

General and administrative expense was \$1,089,000 for the fourth quarter of 2007, compared to \$1,045,000 for the same period a year ago.

General and administrative expense was \$4,339,000 for the year ended December 31, 2007, compared to \$3,592,000 for the same period a year ago, reflecting an increase of \$747,000 over 2006. This increase was mainly attributable to increased costs associated with being a public company of \$313,000, increased stock-based compensation of \$160,000; additional salaries of \$200,000; severance and recruitment costs of \$469,000; offset by lower bad debt expense of \$402,000.

Occupancy

Occupancy expense for the fourth quarter of 2007 was \$448,000, compared to \$292,000 for the same quarter last year. This increase of \$156,000 is directly related to the increase in rental and related tax costs of the new Vaughan manufacturing facility compared to the Cambridge manufacturing facility.

Occupancy expense for the year ended December 31, 2007 was \$1,518,000, compared to \$1,182,000 for the same period in 2006. This increase of \$336,000 again relates directly to the increased rental and related tax costs of the new Vaughan facility compared to the Cambridge facility for the first half of 2007. The Company considered the new plant commissioned in June 2007.

Plant Commissioning and Restructuring Costs

There was no expense incurred during the fourth quarters ended December 31, 2007 and 2006.

During fiscal 2007, the Company consolidated its two manufacturing facilities located in Cambridge, Ontario and Woodbridge, Ontario, to a new facility located in Vaughan, Ontario. Costs charged to plant commissioning and restructuring for the year ended December 31, 2007 were \$776,000, and included \$234,000 for severance costs, \$75,000 for rent penalties on the old properties, moving costs of \$133,000, and rental and set up costs of \$334,000 for the new facilities before they were commissioned.

Amortization

Amortization expense was \$274,000 for the fourth quarter ended December 31, 2007, compared to \$240,000 for the same period last year. This increase of \$34,000 relates to the increase in amortization for the new additions to property, plant and equipment at the new facility in Vaughan.

Amortization expense was \$985,000 for the year ended December 31, 2007, compared to \$886,000 for the same period a year ago. This increase of \$99,000 relates to the amortization of additional property, plant and equipment purchased over the past year.

Foreign Exchange Gain

The Company had a foreign exchange gain of \$6,000 in the fourth quarter of 2007, compared to a gain of \$21,000 for the same quarter a year ago. This is attributable to the fluctuating value of the Canadian dollar vis-à-vis the U.S. dollar.

The Company had a foreign exchange gain of \$19,000 for the year ended December 31, 2007, compared to a gain of \$65,000 for the same period a year ago; all of which was attributable to the strengthening value of the Canadian dollar vis-à-vis the U.S. dollar.

Liquidity and Capital Resources

Since its incorporation in July 2003, the Company has funded its operations and capital resources requirements through the issuance of equity securities and various types of debt financings. The Company issued an aggregate of \$6,000,000 in debentures (the "Debentures") to two shareholders in December 2006. Of the \$6,000,000 available from the issuance of the Debentures, \$4,000,000 was received in 2006 and was used to pay off existing bank indebtedness of \$2,034,000, with the remainder used for general corporate purposes. The remaining \$2,000,000 from the issuance of the Debentures was received in 2007 and used for general corporate purposes. On July 3, 2007, the Company completed its IPO and issued 10,000,000 common shares for net aggregate proceeds, after issuance costs and fees, of \$15,643,000. Out of the net proceeds, the Debentures were repaid in full on July 6, 2007. The Company has a history of operating losses and has incurred losses of \$4,508,000 and \$7,460,000 for the years ended December 31, 2007 and 2006, respectively, and has an accumulated deficit of \$46,042,000 at December 31, 2007, and \$41,420,000 at December 31, 2006. The Company believes that the anticipated revenues from its licensing arrangements and structural products, will be sufficient to enable the Company to fund operating activities and capital expenditures for the next 12 months.

The Company currently has cash equivalents in the form of guaranteed prime-linked, cashable investment certificates issued by a Schedule A bank. These investments do not have any exposure to any asset backed securities.

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)	December 31, 2007	December 31, 2006
Cash and cash equivalents	\$ 5,988	\$ 1,011
Working capital	6,567	369
Long-term assets	6,869	5,191
Long-term liabilities	1,665	4,740
Working capital ratio	1.54 to 1	1.05 to 1

Cash Inflows and (Outflows) by Activities

(in thousands of dollars)	December 31, 2007	December 31, 2006
Operating activities	\$ (3,850)	\$ (7,264)
Investing activities	(2,696)	(1,282)
Financing activities	11,523	1,722
Net cash inflows (outflows)	4,976	(6,824)

Cash and Cash Equivalents

As at December 31, 2007, the Company had \$5,988,000 in cash and cash equivalents, compared to \$1,011,000 as at December 31, 2006. The increase in cash and cash equivalents was the result of the net proceeds from the IPO of \$15,643,000 raised through the issuance of an additional 10,000,000 common shares which took place on July 3, 2007, together with an additional \$2.0 million in debenture financing offset with the subsequent repayment of those Debentures in full on July 6, 2007 in the amount of \$6,120,000. The Company also used \$3,850,000 of cash in operating activities and \$2,696,000 of cash in investing activities for the year ended December 31, 2007.

Working Capital

Working capital is calculated as the difference between the Company's current assets and current liabilities. The Company's working capital balance increased by \$6,198,000 from December 31, 2006 to December 31, 2007. This increase was due primarily to the net proceeds from the IPO after repaying the Debentures and the net cash used in operating and investing activities.

Cash Used in Operating Activities

The Company continues to fund its operating activities and in particular its investment in its sales force, its engineering resources and its ongoing research and development activities. During fiscal 2007, \$3,850,000 was spent on operating activities, compared to \$7,264,000 spent in fiscal 2006.

In the past, cash has been used in operations primarily to fund the Company's ongoing research and development activities, plus its engineering resources, which consists primarily of the development of software applications, industrial technologies, development of new light steel products, and the application of these industrial technologies to construction projects. As well, the Company has been increasing its sales and marketing activities to stimulate the growth of the licensing of its technologies.

Cash Used in Investing Activities

During the year ended December 31, 2007 the Company spent \$2,376,000 on new property, plant and equipment at the Company's new facility in Vaughan, Ontario, compared to \$1,082,000 for the same period a year ago. During the year, \$320,000 was paid for minimum royalty obligations under the license agreement with BJI for the i-SPAN technology, compared to \$200,000 for the same period in 2006.

The Company will be installing its MOT technology at KML during the first and second quarters of 2008. A total of \$478,000 has been expended to date, with \$667,000 remaining to be paid upon shipping and installation.

Cash Provided by Financing Activities

During fiscal 2007, \$15,643,000 was received as the net proceeds of the IPO, \$2,000,000 was drawn on the Debentures and subsequently, \$6,120,000 was used to repay these Debentures in full.

Over the past two years, the Company has obtained financing from three primary sources: (i) issuance of equity, (ii) issuance of Debentures; and (iii) a bank line of credit. In 2006, the Company received \$4,000,000 of the \$6,000,000 available pursuant to the issuance of the Debentures to repay its bank indebtedness of \$2,034,000 and for general corporate purposes. Currently, the Company does not have a bank line of credit.

Contractual Obligations

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

The first commitment is for the new facility located in Vaughan, Ontario, which will showcase the Company's new Coil-to-Panel ("CTP") and Coil-to-Joist ("CTJ") industrial technologies. Muzzo Brothers Group Inc., an affiliate of a beneficial shareholder of the Company, Zuzum Acquisition Inc., as landlord, and the Company, as tenant, entered into a lease dated December 21, 2006 for premises located at 10877 Keele Street, Vaughan, Ontario. The lease is for an initial term of 10 years commencing on January 1, 2007 and expires on December 31, 2016, but may be renewed for a further 10 years with prior written notice. Annual base rent of \$727,000 is payable monthly. The Company is also liable for additional rent for operating costs, utilities and taxes.

The second commitment relates to the technology licensing and ongoing development of i-SPAN. Pursuant to a license agreement entered into on November 10, 2004 between the Company and BJI, the Company is obligated to make quarterly royalty payments of \$0.02 per pound of joist system produced, with a minimum royalty of \$80,000 per quarter until August 2008, and \$150,000 per quarter from August 2008 until November 2011. Until November 2006, these minimum royalty payments were reduced by 50%. The agreement may be terminated by BJI on 10 days' notice if the Company fails to make the applicable payments.

The Company has capitalized the present value of these future minimum royalty payments as an intangible asset and has recognized the future liability as both current and long-term liabilities as minimum royalty payment obligation.

The following table summarizes the Company's contractual obligations at February 26, 2008:

(in thousands of dollars)	Years						Total
	2008	2009	2010	2011	2012	Thereafter	
Property leases	\$ 986	\$ 986	\$ 922	\$ 909	\$ 909	\$ 3,635	\$ 8,347
Equipment leases	88	50	32	26	24	2	222
Minimum royalty payments	460	600	600	600	--	--	2,260
Total	\$ 1,534	\$ 1,636	\$ 1,554	\$ 1,535	\$ 933	\$ 3,637	\$ 10,829

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

Revenue Recognition

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

Construction Contracts - Structural Products

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

License Arrangements

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

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

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

(a) Software, technology and equipment

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

(b) Equipment

Revenue from the sale of equipment is recognized when title passes to the customer and the item has value to the customer on a stand-alone basis. Value is based on third party evidence of pricing.

(c) Services

Revenue from services is recognized as the services are provided to the customer. Third party evidence of fair market value is used for similar services provided by other companies in the industry. Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. The residual method is used to allocate revenue to each component of the arrangement based on the fair market value of undelivered elements.

(d) Royalty Income

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

Asset Impairments

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

Allowance for Doubtful Accounts

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

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

Stock-Based Compensation

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

Income Taxes

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

Debenture and Loan Interest Expense

For the fourth quarter of 2007, these costs were nil, compared to \$70,100 for the fourth quarter of 2006. For the year ended December 31, 2007, these costs totalled \$1,162,000. The Debentures were repaid in full on July 6, 2007.

Adoption of Recent Canadian Accounting Pronouncements in 2007

Accounting Changes

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

Other Comprehensive Income and Financial Instruments

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

Section 1530, *Other Comprehensive Income*

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

Section 3855, *Financial Instruments - Recognition and Measurement*

Section 3861, *Financial Instruments - Disclosure and Presentation*

Financial Assets and Financial Liabilities

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

Loans and Receivables

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

Other Liabilities

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

Transaction Costs

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

Determination of Fair Value

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

Classification of Financial Instruments

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

- Cash and cash equivalents are classified as held for trading. Changes in fair value for the period are recorded in income as interest income.
- Accounts receivable are classified as loans and receivables.

Accounts payable and accrued liabilities, and warrants liability are accounted for as other liabilities and initially measured at fair value, and debentures and minimum royalty payment obligations are accounted for as other liabilities at amortized cost.

As a result of the adoption of the new accounting standards, deferred financing costs have been reclassified on a comparative basis on the balance sheet as a reduction in Debentures due to related parties.

The new standard also requires that the Company retroactively, without restatement, amortize certain financing costs over the expected life of such financing. These expenses include deferred financing costs, the penalty due on prepayment of the Debentures, and the Debenture accretion expense. Accordingly, the impact of these changes on the consolidated statements of loss, comprehensive loss and deficit increased net loss by \$714,000.

Adoption of Recent Canadian Accounting Pronouncements in 2008

The Canadian Institute of Chartered Accountants ("CICA") has issued new accounting standards, Section 1535 *Capital Disclosures*, Section 3031, *Inventories*, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instrument - Presentation*, which are applicable to the Company's 2008 fiscal year.

Section 1535, Capital Disclosures

This new standard requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about the Company regarding capital; whether the Company has complied with any

capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

Section 3031, *Inventories*

The new standard provides more guidance on the measurement and disclosure requirements for inventories than the previous standard, Section 3030, *Inventories*. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The Company is assessing the effect of the new standard and does not anticipate a material effect on its results.

Section 3862, *Financial Instruments - Disclosures* Section 3863, *Financial Instruments - Presentation*

These new standards replace Section 3861, *Financial Instruments - Disclosure and Presentation*. Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial results of the Company.

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Canadian GAAP will be converged with IFRS through a combination of two methods: as current joint-convergence projects of the United States' Financial Account Standards Board and the International Accounting Standards Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the complete changeover to IFRS; and standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the complete changeover to IFRS. As the International Accounting Standards Board currently, and expectedly, has projects underway that should result in new pronouncements that continue to evolve IFRS, and as this Canadian convergence initiative is in an early stage as of the date hereof, it is premature to currently assess the impact of the Canadian initiative on the Company.

Related Party Transactions

Debentures

On December 4, 2006, the Company borrowed \$4,000,000 of the available \$6,000,000 by way of Debentures issued to 2007129 Ontario Inc. and Jetport Inc., both shareholders of the Company. The Company subsequently increased its borrowings to \$6,000,000 pursuant to the Debentures. These Debentures were repaid on July 6, 2007 from the net proceeds of the IPO.

In connection with the issuance of the Debentures, Genesis also issued to the Debenture holders special warrants to acquire common share purchase warrants of the Company at no additional consideration. These special warrants are the only warrants issued by the Company. The special warrants entitle the Debenture holders to acquire, through the exercise of the underlying common share purchase warrants, the number of common shares equal to \$1,800,000, or 30% of the principal amount of the Debentures outstanding, divided by the exercise price of \$2.15385, determined in accordance with the terms of the common share purchase warrants, for a total of 835,712 common shares. Any unexercised common share purchase warrants shall expire on the earlier of: (i) a date that is five years from the Closing Date, and (ii) immediately prior to a change of control of the Company. Both special warrant holders gave the Company notice of exercise of their special warrants, with effect as of the business day immediately following the business day on which the Company received a receipt for the final prospectus in connection with the IPO. The Company therefore issued common share purchase warrants on June 27, 2007.

Expenses related to this financing at the exchange amount between the parties comprise interest due to lenders at a rate of 12.75% per annum, payable monthly, issue costs and fees of \$243,000, and warrants liability of \$600,000.

Licensing Arrangement

USG, the parent of CGC Inc., a shareholder of the Company, entered into a license arrangement with the Company. USG built structures using the Genesis Solution until June 2007, when it ceased its manufacturing operations. Revenues earned during fiscal 2007 were \$238,000 and \$1,956,000 for fiscal 2006; \$982,000 of which constituted a one-time payment for the purchase of equipment. No revenue from USG was earned in the fourth quarter of 2007.

Commercial Contract

Zuzum Acquisition Inc., a beneficial shareholder of the Company, is an affiliate of Muzzo Brothers Group Inc., which is a contract customer of the Company with regular credit terms. Revenues earned during the fourth quarter of 2007 were \$393,000 and \$149,000 for the same period a year ago. Revenues earned during the year ended December 31, 2007 were \$2,134,000 and \$1,696,000 for the same period in 2006. The amount included in accounts receivable as at December 31, 2007 was \$363,000 and \$387,000 as at December 31, 2006.

Lease

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

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of December 31, 2007.

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;
- 2,645,174 common share options are outstanding under the Company’s stock option plan to purchase common shares of the Company (as further described in Note 10 of the December 31, 2007 consolidated financial statements);
- 500,000 common share options (“Compensation Options”) issued under the Underwriting Agreement to purchase common shares of the Company. These options expire on July 2, 2008 and are more fully described in Note 10 of the December 31, 2007 consolidated financial statements.

Controls and Procedures

As required by Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings* issued by the Canadian Securities Administrators, the Company’s [Executive Chairman?], President and Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in the Company’s annual filings (as defined by Multilateral Instrument 52-109) with the provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

As part of the Form 52-109 certification, the Executive Chairman, President and Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining

disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required by the Company in the reports that it files or submits to the provincial securities regulators is recorded, processed, summarized and reported, within the time periods required. The Company has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Executive Chairman, President and Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109), have concluded that, as of December 31, 2007, the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control Over Financial Reporting

As part of the Form 52-109 certification, the Executive Chairman, President and Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions with respect to the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with the authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's Executive Chairman, President and Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2007, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company is satisfied with the design effectiveness of its internal controls over financial reporting.

Management identified the following deficiencies in its control environment based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework:

Segregation of duties is a basic, key internal control and one of the most difficult to achieve relative to the limited resources for companies the size of or at the stage of development such as Genesis. This control is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources and number of staff, it is not feasible to achieve complete segregation of duties among its staff. This creates a risk that inaccurate recording of amounts could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures and management oversight during its financial close process in order to ensure the financial statements present fairly in all material respects.

Further, due to limited resources and number of staff, the Company does not have the optimum complement of personnel with all of the technical accounting and tax knowledge to address all complex and non-routine transactions that may arise necessitating the hiring of external accounting firms and consultants to assist in advising on the completion of such transactions.

During the fourth quarter of 2007, internal controls were substantially but not fully documented over all processes, creating the risk that such activities are not performed consistently. The Company will complete the documentation over all significant financial reporting activities in fiscal 2008, subject to the availability of appropriate resources. Management believes the documentation of internal controls is sufficient to provide reasonable assurance those material errors in financial reporting and disclosures will be prevented or detected. In the fourth quarter of 2007, the Company augmented its disclosure controls and procedures with the formalization of a Disclosure Controls Committee.

Management reviews the assignment of responsibilities on an ongoing basis. However, the hiring of additional accounting resources is required at the present time. Management will continue to monitor the existing mitigating controls and implement changes where appropriate and feasible. Management plans to supplement the existing financial resources and has a recruiting plan in place to accomplish this.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of internal controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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.

	Fiscal 2007			
	<small>(in thousands of dollars, except per share data)</small>			
	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
	2007	2007	2007	2007
Revenues	\$ 8,398	\$ 7,038	\$ 5,018	\$ 3,989
Direct cost of revenues	5,481	4,551	3,520	2,615
Operating expenses	2,491	3,360	3,225	3,473
Net income (loss)	191	(873)	(1,727)	(2,099)
Basic and diluted earnings (loss) per share	0.01	(0.03)	(0.08)	(0.10)
Total assets	\$ 25,635	\$ 25,785	\$ 15,995	\$ 15,320

Fiscal 2006				
(in thousands of dollars, except per share data)				
	Three Months Ended			
	December 31,	September 30,	June 30,	March 31,
	2006	2006	2006	2006
Revenues	\$ 7,747	\$ 4,366	\$ 3,412	\$ 4,687
Direct cost of revenues	6,115	4,041	3,290	4,439
Operating expenses	2,754	2,472	2,602	1,959
Net loss	(1,122)	(2,147)	(2,480)	(1,711)
Basic and diluted loss per share	(0.05)	(0.10)	(0.12)	(0.08)
Total assets	13,069	14,423	15,119	19,595