



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

Dated: November 16, 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 and nine month periods ended September 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. 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 November 16, 2009, and is current to that date, unless otherwise stated. The Company's fiscal year commences January 1st of each year and ends on December 31st of that year.

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

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

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws, which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section contained in the Company's Annual Information Form ("AIF") filed with the Canadian securities regulatory authorities and accessible on SEDAR at www.sedar.com and the risks outlined under the heading "Liquidity and Capital Resources" in this MD&A. 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, except required by law, 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.

Financial Condition

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

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

The second material uncertainty is the ability of the Company to manage its working capital and liquidity. The Company has continued to incur losses and has cumulative losses and a working capital deficiency of \$58.0 million and \$1.1 million respectively as at September 30, 2009. As at September 30, 2009, the Company was in default of its secured non-revolving term loan agreement and has not received a waiver at this time from the lender. Accordingly, the full amount owing of \$0.5 million as at September 30, 2009 has been reclassified as a current liability and under certain circumstances may become immediately repayable. Subsequent to September 30, 2009, the Company received notification that the Ontario Ministry of Revenue had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$0.6 million of unremitted sales taxes owing. KML has entered into an agreement with the Ontario Ministry of Revenue providing for the payment of these unremitted sales taxes owing over a period of approximately ten months. In the event that the repayment terms are not satisfied, the Ontario Ministry of Revenue may seek to enforce its lien and collect the unremitted sales taxes owing immediately. The Company's liquidity issues may impair the Company's ability to execute its business plan, and may result in the, reduction of sales and marketing efforts and the foregoing of attractive business opportunities. There are also uncertainties related to the timing and use of the Company's cash resources and working capital requirements. Due to these and other factors, many of which are outside of the Company's control, the Company may not be able to accurately predict necessary cash expenditures or obtain financing in a timely manner to cover any shortfalls.

The third material uncertainty is the ability to recruit a permanent Chief Executive Officer and to retain staff. On November 4, 2009, the Chief Executive Officer of the Company tendered his resignation effective November 13, 2009. As of November 16, 2009, Richard Pope has been appointed as the Interim Chief Executive Officer of the Company, subject to the receipt of any necessary regulatory approvals. However, the absence of a permanent Chief Executive Officer may adversely impact the Company's ability to continue to operate as a going concern. Additionally, the Company must continue to retain staff generally to continue to operate. Due to the immediate liquidity crisis facing the Company, there is significant doubt as to the Company's ability to continue to carry out day-to-day management decisions and operate as a going concern.

The interim consolidated financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not appropriate for the interim consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; such adjustments could be material.

Selected Financial Information

The following tables set out selected interim consolidated financial information for the periods indicated. The selected financial information set out below as at and for the three and nine-month periods ended September 30, 2009 and 2008, respectively, has been derived from the unaudited consolidated interim financial statements and accompanying notes for the three and nine-month periods ended September 30, 2009 and 2008, as well as the December 31, 2008 annual audited consolidated financial statements. The financial information for the three and nine-month periods ended September 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

| (in thousands of dollars, except share and per share data) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | |
| Licensing | \$ 440 | \$ 2,747 | \$ 3,471 | \$ 7,311 |
| Structural products | 3,158 | 2,555 | 8,064 | 9,499 |
| Total revenues | 3,598 | 5,302 | 11,535 | 16,810 |
| Direct cost of revenues | | | | |
| Licensing | 128 | 1,403 | 1,674 | 3,224 |
| Structural products | 2,444 | 2,232 | 6,410 | 8,468 |
| Total direct cost of revenues | 2,572 | 3,635 | 8,084 | 11,692 |
| | 1,026 | 1,667 | 3,451 | 5,118 |
| Operating Expenses | | | | |
| Research and development | 143 | 278 | 468 | 1,006 |
| SR&ED investment tax credit | -- | (91) | (95) | (165) |
| Selling and marketing | 349 | 679 | 1,053 | 1,983 |
| Engineering and project management | 333 | 324 | 1,040 | 1,343 |
| General and administration | 1,540 | 1,138 | 3,154 | 3,827 |
| Occupancy | 352 | 352 | 1,052 | 1,087 |
| Corporate reorganization costs | -- | 464 | -- | 464 |
| | 2,717 | 3,144 | 6,672 | 9,545 |
| Loss before other expenses | (1,691) | (1,477) | (3,221) | (4,427) |
| Amortization | 320 | 288 | 927 | 859 |
| Debenture and loan interest expense (income) | 89 | 103 | 268 | 52 |
| Minimum royalty accretion | 58 | 72 | 186 | 219 |
| Foreign exchange (gain)/loss | (15) | (33) | 13 | (21) |
| Other | 30 | -- | 122 | -- |
| | 482 | 430 | 1,516 | 1,108 |
| Net loss and comprehensive loss for the period | \$ (2,173) | \$ (1,907) | \$ (4,737) | \$ (5,536) |
| Net loss per share – basic and diluted | \$ (0.04) | \$ (0.06) | \$ (0.09) | \$ (0.18) |
| Weighted average number of common shares outstanding – basic and diluted | 45,000,247 | 30,982,858 | 35,706,728 | 30,982,858 |

Consolidated Balance Sheet Data

| (in thousands of dollars) | As at September 30, 2009 | As at December 31, 2008 |
|---------------------------|-----------------------------|----------------------------|
| Cash and cash equivalents | \$ 240 | \$ 167 |
| Accounts receivable | 6,655 | 7,781 |
| Total assets | 14,664 | 17,339 |
| Total liabilities | 9,870 | 12,630 |
| Shareholders' equity | 4,794 | 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 nine months of 2009 have 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 the Company’s 2008 annual MD&A, 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 of the global economic downturn on the financial industry has resulted in builder financing becoming scarce for new projects and, in some instances, projects partially completed have been abandoned due to financing being withdrawn or the terms thereof being changed. As a result, general economic conditions continues to be a very challenging for most companies which are involved in or dependent on the construction industry, including Genesis.

The Company’s licensing division, GenesisTP Inc., operates worldwide and, in the year to date, markets globally have generally been negatively impacted by the global economic downturn. Certain markets, however, such as the Middle East, China and India are exhibiting signs of improvement. The impact of this general slowdown is that the licensing division has had to identify opportunities in growth areas such as the Middle East, China and India. It is expected to take some time for the Company to penetrate these new markets for the reasons discussed below. The Company has also experienced some delays in the commissioning of plants for certain Eastern European licensees and, as a result, the commencement of royalty payments from these licensees has been delayed. However, the Company believes that this is a temporary situation and will continue to work with these licensees during this difficult time.

Governments globally have responded to the economic downturn with numerous stimulus packages to help spur their economies. Government stimulus packages have attempted to drive construction projects involving 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 construction market has been single family homes, while the commercial and institutional building market has not been negatively impacted to the same degree. The Genesis Solution is applicable to both the single family home market, as well as the commercial and institutional building market for buildings that are eight-stories and under. Therefore, the Company will continue to focus its selling and marketing efforts on the areas showing activity, both geographically and by segment.

The Company believes that compelling market opportunities exist in India, the Middle East, China and California. Accordingly, the Company is targeting these markets for expansion. During the third quarter of 2009, the Company provided additional sales and marketing support to its licensees in certain of these strategic markets to assist them in gaining better penetration.

Subsequent to September 30, 2009, GenesisTP Inc. achieved certification of its coil-to-panel (“CTP”) process and components by the International Code Council (“ICC”). The ICC, established in 1994, is an association dedicated to building codes that enhance safety and fire prevention. The ICC develops the codes used to construct residential and commercial buildings, including homes and schools, which are important markets for Genesis. The ICC’s stated public vision is to protect the health, safety and welfare of individuals by creating better buildings and safer communities, which parallel key business objectives set forth by Genesis. Many U.S. cities, counties, and states that adopt codes choose the International Codes developed by the ICC. Genesis believes that receiving the ICC-ES Evaluation Report (ESR-2849) was an important milestone and Genesis believes that as a result of Genesis achieving this milestone its licensees will be better positioned to target certain types of building projects, particularly in the key U.S. markets that require ICC certification. Certain projects in the U.S., most notably government stimulus projects, mandate that only those products with an ICC certification can be used. The Company believes that obtaining this certification will help Genesis’ licensees win the types of projects that were previously unavailable to them, and penetrate new and important markets. Genesis believes that this certification provides one more important competitive advantage for Genesis and its licensees.

Material costs for the construction industry are changing significantly. In North America, wood is the predominant structural material, and the cost of wood is at its lowest levels in the past several years, and we believe shows no signs of increasing. Outside of North America, concrete is the main structural material used. Against this backdrop, while steel prices have decreased from record highs experienced in 2008, steel prices have increased during the three months ended September 30, 2009. This trend in steel prices and the trends in wood and concrete prices could negatively impact the Company for the foreseeable future. To minimize the adverse effect of these pricing pressures, the Company anticipates continuing to develop innovative products and will continue its efforts 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 to be introduced during the remainder of 2009, management believes that the Company will be able to continue 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 as a structural material 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 in those markets who are not full licensees (called Solution Providers), so that the rate at which light gauge steel is accepted as a structural material in those markets will increase. In addition, it will also develop an expanded 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 to immediately become a full licensee and to gradually grow into a full licensee.

Comparison of the Three Months Ended September 30, 2009 and September 30, 2008

Revenues

(a) Licensing

Licensing revenues for the third quarter of 2009 were \$440,000, compared to \$2,747,000 for the same quarter in 2008, representing a decrease of 84%. Licensing revenues for the third quarter of 2009 consisted mainly of royalties and revenues from the provision of services. During the third quarter of 2008, licensing revenues consisted of revenues from the shipment of software to the Company’s new Lithuanian licensee and

the shipment of Material Optimization Technology (“MOT”) equipment to Russia, royalties, revenues from the provision of services, and other miscellaneous revenues. Revenues for this division are dependent upon the timing of the delivery of software licenses and industrial equipment, which can cause variations in quarterly results.

Licensing revenues for the nine months ended September 30, 2009 were \$3,471,000, compared to \$7,311,000 for the same period in 2008, representing a decrease of 53%. During the first nine 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 revenues from other services provided to licensees. For the first nine months of 2008, the Company executed four new license agreements, delivered industrial equipment to three licensees, and earned royalty income and revenue from other services provided to licensees.

(b) Structural Products

Revenues for the structural products division for the third quarter of 2009 were \$3,158,000, compared to \$2,555,000 for the same quarter last year, representing an increase of 24%. The Company believes that the increase is reflective of improved execution and stabilization occurring in the Ontario construction market in 2009.

Structural products revenues for the first nine months of 2009 were \$8,064,000, compared to \$9,499,000 for the same period in 2008, representing a decrease of 15%. The current economic situation has resulted in a general slowdown in the construction industry with the start of some projects being delayed until later in 2009.

Direct Cost of Revenues

For licensing revenues, cost of revenues consists of the direct cost of the industrial manufacturing equipment. The direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenues, industrial equipment revenues, royalty revenues 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.

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

(a) Licensing

The direct cost of revenues for the licensing division for the third quarter of 2009 was \$128,000 or 29% of the licensing division’s revenue, compared to \$1,403,000, or 51% of this division’s revenue for the third quarter of 2008. The percentage was lower in 2009 due to the majority of the revenues earned being related to software and services, whereas in 2008 the majority of the revenues earned being related to equipment sales.

The direct cost of revenues for the licensing division for the first nine months of 2009 was \$1,674,000, or 48% of the licensing division’s revenue, compared to \$3,223,000, or 44% of this division’s revenue for the same period in 2008. The Company’s mix of revenues amongst licensing revenues, industrial equipment sales, royalty revenues, revenues from the provision of services, and other miscellaneous revenues from the provision of services resulted in the variation in this percentage.

(b) Structural Products

The direct cost of revenues for the structural products division was \$2,444,000 for the third quarter of 2009, or 77% of the structural products division’s revenue, compared to \$2,231,000, or 87% of this division’s revenue for the third quarter of 2008. In general, the direct cost of revenues for the structural products division has decreased in the last year due to the implementation of the MOT line and continuous manufacturing improvements.

Direct cost of revenues for structural products were \$6,410,000 for the first nine months of 2009, or 79% of the structural products division’s revenue, compared to \$8,468,000, or 89% of this division’s revenue for the same period in 2008. In general, the direct cost of revenues for the structural products division has

decreased in the last year due to the implementation of the MOT line and continuous manufacturing improvements.

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”) was completed 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 third quarter of 2009 was \$143,000 (net of a SR&ED recovery of \$nil), compared to an expense of \$187,000 (net of a SR&ED recovery of \$91,000) for the same quarter last year, representing a decrease of \$44,000, which was due to a reduction in headcount due to lower modifications and development required in the Company’s licensing division.

R&D expense for the first nine months of 2009 was \$468,000, compared to \$841,000 for the same period last year. This decrease of \$373,000 is due to a decrease in headcount. SR&ED recovery for the first nine months of 2009 was \$95,000, compared to \$165,000 for the first nine months of 2008, which has been netted against the costs above.

Selling and Marketing

Selling and marketing expenses 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 \$348,000 for the third quarter of 2009, compared to \$679,000 for the same period in 2008. This decrease in expense of \$331,000 is a result of the Company’s initiative to lower marketing costs to ensure that marketing efforts are more targeted with a view to providing a better return on investment, a reduced headcount due to the economic slowdown, and lower commission costs due to reduced revenue.

Selling and marketing expenses for the first nine months of 2009 were \$1,053,000, compared to \$1,983,000 for the same period in 2008. The decrease of \$930,000 reflects the implementation of strategic marketing campaigns, a reduced head count and the discontinued operations in Ireland and the U.S.

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 third quarter of 2009 was \$333,000, compared to \$324,000 for the same quarter last year. The increase of \$9,000 was the result of the new commission system, netted against the cost savings as a result of the closing of the Company’s office in Turkey.

Engineering and project management expense for the first nine months of 2009 was \$1,040,000, compared to \$1,343,000 for the same period the previous year. This decrease of \$303,000 relates to a decrease in engineering headcount.

General and Administrative

General and administrative expenses relates to general personnel costs, insurance, professional fees relating to tax, legal and audits, and bad debt expense. Bad debt expense consists of the charge taken in the

period a receivable is deemed uncollectible by the Company and includes 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 \$1,540,000 for the third quarter of 2009, compared to \$1,138,000 for the same period a year ago, representing an increase of \$402,000. Bad debt expense increased from a recovery of \$75,000 for the three months ended September 30, 2008 to an expense of \$776,000 for the three months ended September 30, 2009. The bad debt expense recorded during the three months ended September 30, 2009 includes a reserve of \$670,000 against receivables owing from two international licensees. The Company feels that the reserve is required due to the current global economic environment, the fact that the licensees have not completed their plants and the fact that the licensees have yet to begin production of the Genesis Product in their respective regions. Excluding the impact of bad debt expense, the Company reduced salary and benefit costs by \$206,000 in the third quarter of 2009 compared to the third quarter of 2008 due to a decrease in headcount of five employees. Cost saving initiatives, such as lowering health benefits and insurance costs, were also implemented in the third quarter of 2009.

General and administrative expense was \$3,154,000 for the first nine months of 2009, compared to \$3,827,000 for the same period a year ago. This decrease of \$673,000 was primarily due to decreased salary costs as a result of lower headcount and reduced benefit costs amounting to \$607,000, \$335,000 of which was due to lower activity and cost saving initiatives. Reductions in these expenses were offset by an increase in bad debt expenses of \$521,000 for the first nine months of 2009 compared to 2008.

Occupancy

Occupancy expense consists of rent, utilities, property insurance and municipal taxes for rental properties. Occupancy expense for the third quarter of 2009 was \$352,000, compared to \$352,000 for the same quarter last year. Occupancy expense for the first nine months of 2009 was \$1,052,000, compared to \$1,087,000 for the same period in 2008.

Corporate Reorganization Costs

Corporate reorganization costs are costs incurred for severance and termination payments related to senior organizational changes. There were no corporate reorganization costs incurred during the third quarter of 2009. During the third quarter of 2008, the Company made some senior organizational changes which resulted in the recording of termination and severance costs of \$464,000.

Amortization

Amortization expense relate to property, plant and equipment, and intangible assets. Amortization expense was \$320,000 for the third quarter of 2009, compared to \$288,000 for the same period last year. This increase of \$32,000 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 \$927,000 for the first nine months of 2009, compared to \$859,000 for the same period last year. This increase of \$68,000 relates to the amortization of the new industrial equipment, including MOT, purchased for the Vaughan manufacturing facility for a full nine months in 2009.

Foreign Exchange Gains/Losses

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 gain of \$15,000 in the third quarter of 2009, compared to a gain of \$34,000 for the same period in 2008. These gains 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 \$13,000 for the first nine months of 2009, compared to a gain of \$22,000 for the same period a year ago. These losses and gains were 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 income earned from the investment of excess cash in short-term liquid investments. Loan interest expense for the third quarter of 2009 was \$89,000, compared to loan interest expense of \$103,000 for the third quarter of 2008. The expense in 2009 relates to the interest on the non-revolving term loan, financing charges, and the interest on the convertible debentures which were issued on February 23, 2009 and May 22, 2009, which are described further under "Liquidity and Capital Resources". Loan interest expense for the first nine months of 2009 was \$268,000, compared to interest expense of \$52,000 for the same period in 2008 due to the secured non-revolving term loan completed in June 2008 and the secured convertible debenture issued in February 2009 and the additional secured convertible debentures issued in May 2009.

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. In June 2008, KML completed a three year \$1,800,000 secured non-revolving term loan with a large non-bank Canadian lender with interest payable at a fixed rate of 8.17%. This term loan is repayable in equal monthly instalments of principal plus interest. The lender required KML to provide a \$500,000 irrevocable letter of credit which was issued by a Canadian chartered bank and is secured by a restricted cash deposit of \$500,000 at that bank. The term loan was formalized and fully drawn down in July 2008. KML provided a general security agreement providing the lender with a general security interest in all of its assets. The term loan is guaranteed by the Company and its other subsidiaries, each of which provided a general security agreement providing the lender with a security interest in all of its assets. As at September 30, 2009, KML was not in compliance with the terms of the term loan as the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. Subsequent to September 30, 2009, the Company received notification that the Ontario Ministry of Revenue had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$633,978 of unremitted sales taxes owing, constituting a further event of default. As a result of these events of default and a waiver from the lender not having been received, the full amount of \$529,767 owing on the term loan as at September 30, 2009 has been reclassified as a current liability.

On February 23, 2009, the Company issued a secured convertible debenture in the principal amount of \$1,534,742 (the "Debenture") to Coddling Enterprises, L.P. ("Coddling"), a limited partnership associated with Coddling Steel Frame Solutions ("Coddling SFS"), one of the Company's existing licensees. The Debenture matures on August 23, 2010, bears interest at the rate of 10% per annum and is convertible at the option of Coddling 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 the Company, which ranks subsequent to the security interest granted by the Company to the non-bank lender which provided the term loan described above.

On May 22, 2009, the Company issued additional secured convertible debentures in an aggregate principal amount of \$1,500,000 (the "Additional Debentures"). Coddling and entities associated with it acquired \$1,325,000 principal amount of the Additional Debentures. The Additional Debentures mature on November 22, 2010, 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 security interest securing the Debenture, and subsequent to the security interest granted to the non-bank lender which provided the term loan described above. The Additional Debentures will automatically be converted into common shares of Genesis at a conversion price of \$0.242 per share if the Company raises an additional \$1.5 million in equity through, a transaction or a series of transactions. The Debenture was also amended at the same time that the Additional Debentures were issued to add an identical conversion feature.

In July 2009, the Company completed two private placements of an aggregate of 7,300,000 units at a price of \$0.25 per unit raising aggregate gross proceeds of \$1,825,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Company at \$0.35 per common share until July 2013. As a result of the completion of the first of these private placements which raised gross proceeds in excess of \$1.5 million, the Debenture and the Additional Debentures were automatically converted into common shares. This automatic conversion significantly strengthened the Company's balance sheet.

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

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 is operating in a very difficult environment due to the global economic slowdown which has impacted both the construction and financial industries as discussed above. The Company has continued to incur losses, but has also continued to reduce its operating expenses. The Company's cash balance as at September 30, 2009 was \$240,000, and is not sufficient to meet the Company's current needs. If the Company is not able to raise additional financing it will not be able to continue any of its operations. 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.

As noted in previous quarters, the Company continues to look at options to raise additional capital, which would allow the Company to pursue its growth initiatives and improve its liquidity. This initiative has proved challenging due to the current state of the global financial markets, but the Company will continue to search for opportunities that may be available to it. If the Company is unable to raise additional capital in the immediate future, it does not expect its operations to generate sufficient cash flow to fund its obligations as they come due. Additional funding may be in the form of debt or equity or a hybrid instrument depending on the needs of the investor. There can be no assurances however, that the Company will be successful in obtaining the necessary immediate short-term funding necessary to continue as a going concern. In the event that the Company is not able to secure additional immediate financing to fund its short term operating requirements, insolvency proceedings may be pursued by one or more of Genesis and its subsidiaries.

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

As at:

| (in thousands of dollars, except working capital ratios) | September 30, 2009 | December 31, 2008 |
|--|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 240 | \$ 167 |
| Working capital | (1,085) | (759) |
| Long-term assets | 6,641 | 7,454 |
| Long-term liabilities | 761 | 1,986 |
| Working capital ratio | 0.9 to 1 | 0.9 to 1 |

Cash Inflows and (Outflows) by Activities

For the nine months ended

| (in thousands of dollars) | September 30, 2009 | September 30, 2008 |
|------------------------------------|---------------------------|---------------------------|
| Operating activities | \$ (3,753) | \$ (4,334) |
| Investing activities | (547) | (1,646) |
| Financing activities | 4,373 | 1,212 |
| Net cash inflows (outflows) | 73 | (5,282) |

Cash Used in Operating Activities

The Company used \$1,407,000 of cash to fund its operating activities for the three months ended September 30, 2009 compared to \$437,000 for the comparable period of the prior year. The \$970,000 increase in cash used in operating activities is attributed to a \$266,000 higher loss from operations offset by a \$704,000 decrease in non-cash working capital requirements.

The Company used \$3,753,000 of cash to fund its operating activities for the nine months ended September 30, 2009 compared to \$4,848,000 for the comparable period of the prior year. The \$1,095,000 decrease in cash used in operating activities is attributed to a \$799,000 lower loss from operations offset by a \$296,000 increase in non-cash working capital requirements.

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

Financial Instruments

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

Cash Used in Investing Activities

The Company used \$199,000 of cash to fund its investing activities for the three months ended September 30, 2009 compared to \$248,000 for the comparable period of the prior year. The \$49,000 increase in cash used in investing activities is attributed to an increase in property, plant and equipment of \$112,000, a decrease in deferred patent costs of \$45,000 and a decrease in the minimum royalty obligations under the license agreement with Best Joist Inc. ("BJI") for the i-Span technology of \$116,000.

The Company used \$548,000 of cash to fund its investing activities for the nine months ended September 30, 2009 compared to \$1,646,000 for the comparable period of the prior year. The \$1,098,000 decrease in cash used in investing activities is attributed to a decrease in property, plant and equipment of \$1,110,000, decrease in deferred patent costs of \$12,000 and an increase in the minimum royalty obligations under the license agreement with BJI of 24,000.

Cash Provided by Financing Activities

The Company generated \$1,577,000 of cash from financing activities for the three months ended September 30, 2009 compared to \$1,212,000 for the comparable period of the prior year. The amount generated for the three months ended September 30, 2009 of \$1,577,000 includes cash from the issuance of common stock of \$4,727,000 less (i) the redemption of debentures and additional debentures issued in prior periods totalling \$2,953,000, (ii) the repayment of \$142,000 of the term loan of, and (iv) the reduction of the long term loan of \$55,000. The amount generated of \$1,212,000 for the three months ended September 30, 2008 includes the term loan issued in June 2008.

The Company generated \$4,374,000 of cash from financing activities for the nine months ended September 30, 2009 compared to \$1,212,000 for the comparable period of the prior year. The amount generated for the nine months ended September 30, 2009 of \$4,374,000 includes cash from the issuance of common stock of \$4,727,000 less repayment of \$418,000 of the term loan and cash from the long term loan of \$65,000. The amount generated of \$1,212,000 for the nine months ended September 30, 2008 includes term loan issued in June 2008.

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. As at September 30, 2009, KML was not in compliance with the terms of the term loan as the Company's current ratio was below the 1.1 to 1.0 level stipulated in the term loan agreement. Subsequent to September 30, 2009, the Company received notification that the Ontario Ministry of Revenue had registered its statutory lien against the assets of KML under the *Personal Property Security Act* (Ontario) on account of \$633,978 of unremitted sales taxes owing, constituting a further event of default. As a result of these events of default and a waiver from the lender not having been received, the full amount of \$529,767 owing on the term loan as at September 30, 2009 has been reclassified as a current liability.

The Company entered into a commercial property lease commencing January 1, 2007 having a ten year term with an annual base rent of \$737,040 and additional amounts payable relating to operating costs, utilities, and taxes. While KML is the primary occupant of the rented facilities, the Company is contractually liable for any unpaid obligations pursuant to its commercial lease obligation.

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.

As noted under Contractual Obligations above, as at September 30, 2009, KML was not in compliance with the terms of its term loan and had not received a waiver from its lender. The Company and each of its subsidiaries has provided a guarantee to support KML'S term loan secured by a general security interest and they are contingently liable to the lender for any loss incurred by the lender under the term loan. At this time, the Company is not able to ascertain what amount, if any, the Company may be contingent liable for.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian GAAP 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 management's opinion at that time, represent fair, balanced and appropriate conservative estimates and assumptions. Actual results could differ from those estimates and the differences may be material.

In the Company's annual MD&A and audited consolidated financial statements and accompanying notes for the years ended December 31, 2008 and 2007, the Company identified the accounting policies and estimates that are critical to the understanding of its business operations and its results of operations. For the three and nine-months ended September 30, 2009, there were no changes to the critical accounting policies and estimates from those found in the Company's annual MD&A for the year ended December 31, 2008.

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 were effective for the Company beginning on January 1, 2009. The adoption of these 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 which commenced on January 31, 2007 and expires on December 31, 2016 and is renewable for a further 10 years at the option of the Company with prior written notice. Annual base rent under the lease is \$727,000. 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 from Muzzo Brothers Group Inc. during the third quarter of 2009 were \$214,000, compared to \$26,000 for the same period in 2008. The amount due from Muzzo Brothers Group Inc. included in accounts receivable as at September 30, 2009 was \$250,000 and \$15,000 as at September 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 third quarter of 2009 were \$129,000, compared to \$76,000 for the same period in 2008. The amount due from Codding SFS included in accounts receivable as at September 30, 2009 was \$36,000 and \$130,000 as at September 30, 2008.

Convertible Debenture

The Company is also liable to pay out interest on the earlier of the maturity dates and the conversion of the convertible debentures. As at September 30, 2009, the Company incurred a total of \$91,000 of interest and \$nil as at September 30, 2008.

Off-Balance Sheet Arrangements

The Company did not have any “off-balance sheet” arrangements as of September 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 has commenced the development of an IFRS implementation strategy to prepare for this transition and is in the process of analyzing the key areas where changes to current accounting policies may be required. Analysis will be required for all current accounting policies, however, the key areas identified to date include:

- Revenue Recognition
- Property, Plant & Equipment
- Impairment of Assets
- Provisions
- Share-based Payments
- Income Taxes
- First-time Adoption of IFRS

As the analysis of the each of the key areas progresses, other elements of the Company’s IFRS implementation strategy will be addressed including the implication of changes to accounting policies, processes or financial statement note disclosures on information technology, internal controls, contractual arrangements and employee training.

Share Capital

As at November 16, 2009, the Company had:

- 50,823,110 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
- 2,314,174 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 including the risk factors listed in the “Risk Factors” section contained in the Company’s AIF and the risk factors described under the heading “Liquidity and Capital Resources” in this MD&A.

Changes in Internal Controls over Financial Reporting

During the three and nine month periods ended September 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 | | | |
|--|-----------------------|------------------|-------------------|----------------------|
| | September 30, 2009 | June 30, 2009 | March 31, 2009 | December 31, 2008 |
| Revenues | \$ 3,598 | \$ 3,059 | \$ 4,879 | \$ 4,452 |
| Direct cost of revenues | 2,572 | 1,938 | 3,574 | 3,208 |
| Operating expenses | 2,717 | 2,197 | 1,759 | 2,574 |
| Net income (loss) | (2,173) | (1,620) | (945) | (1,693) |
| Basic and diluted loss per share | (0.04) | (0.05) | (0.03) | (0.05) |
| Total assets | \$ 14,664 | \$ 15,574 | \$ 16,139 | \$ 17,339 |

| (in thousands of dollars, except per share data) | Three Months Ended | | | |
|--|-----------------------|------------------|-------------------|----------------------|
| | September 30, 2008 | June 30, 2008 | March 31, 2008 | December 31, 2007 |
| Revenues | \$ 5,302 | \$ 3,826 | \$ 7,682 | \$ 8,398 |
| Direct cost of revenues | 3,634 | 2,658 | 5,400 | 5,481 |
| Operating expenses | 3,144 | 3,214 | 3,186 | 2,491 |
| Net income (loss) | (1,907) | (2,389) | (1,241) | 191 |
| Basic and diluted earnings (loss) per share | (0.06) | (0.08) | (0.04) | 0.01 |
| Total assets | \$ 17,842 | \$ 21,910 | \$ 21,456 | \$ 24,743 |

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. Revenues for the licensing division are dependent upon the timing of the delivery of software licenses and industrial equipment, which can cause variations in quarterly results. Revenues for the structural products division have been negatively affected by the current economic situation that has resulted in a general slowdown in the construction industry with the start of some projects being delayed until later in 2009.

Direct cost of revenues for licensing revenues consists of the direct cost of the industrial manufacturing equipment. The direct cost of revenues for licensing as a percentage of revenue is dependent upon the mix of software revenues, industrial equipment revenues, royalty revenues 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. The direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs. Direct cost of revenues for structural products were \$6,410,000 for the first nine months of 2009, or 79% of the structural products division's revenue, compared to \$8,468,000, or 89% of this division's revenue for the same period in 2008. In general, the direct cost of revenues for the structural products division has decreased in the last year due to the implementation of the MOT line and continuous manufacturing improvements.

The Company continues to evaluate operating costs in an effort to reduce costs. Excluding bad debt expense and corporate reorganization costs the Company had reduced operating costs by 30% from \$2,755,000 for the quarter ended September 30, 2008 to \$1,941,000 for the quarter ended September 30, 2009.