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

Dated: May 30, 2011

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 years ended December 31, 2010 and 2009, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. The Company's fiscal year commences January 1st of each year and ends on December 31st of that year. The following MD&A for the Company, prepared as of May 30, 2011, provides a review of the Company's financial results for the year ended December 31, 2010. The audited consolidated 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.

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 and Significant Going Concern Uncertainty

While the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are material uncertainties related to certain adverse conditions and events that cast substantial doubt on the validity of this assumption. 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; and (ii) actively managing its working capital and liquidity. 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.

On March 19, 2010, the Company completed a non-brokered private placement of 5,639,241 common shares of the Company at prices ranging from $0.09418 to $0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of $593,390. Muzzo Brothers Group Inc. ("Muzzo Brothers") subscribed for 2,777,437 common shares, pursuant to the private placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Company. Following the completion of the private placement, Zuzum Acquisition Inc., and its associates and affiliates together, were the registered and beneficial holders of 8,315,177 common shares of the Company, representing approximately 14.7% of the issued and outstanding common shares of the Company at that time. Due to the participation by Muzzo Brothers in the private placement, the private placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the private placement subscribed for by Muzzo Brothers exceeded 25% of the Company's market capitalization.

On October 4, 2010, the Company completed a non-brokered private placement of 2,857,143 common shares of the Company to Codding Enterprises L.P. ("Codding"), an existing shareholder and an insider of the Company, at a price of $0.07 per common share resulting in gross proceeds of $200,000 to the Company. In addition, Codding received one-half of a common share purchase warrant for each common share subscribed for. Each common share purchase warrant is exercisable to purchase one common share of the Company at a price of $0.12 per common share and will expire on October 4, 2012. The common shares and common share purchase warrants are subject to resale restrictions as "restricted securities" as such term is defined in Rule 144(a)(3) under the United States Securities Act of 1933, as amended. In addition, Codding has agreed with the Company not to sell the common shares or the common shares underlying the common share purchase warrants in, or to residents of, Canada, until the day which is four months and one day following the closing date. The net proceeds from the private placement were used by the Company for working capital purposes.

Subsequent to December 31, 2010, the Company completed a brokered private placement through Canaccord Genuity Corp. acting as the Company's exclusive agent and finder on a commercially reasonable efforts basis. Pursuant to the private placement, 20,000,000 units, including 6,500,000 units issued pursuant to the over-allotment option which was granted to the agent and exercised in full, were issued to arm's-length parties at a price of $0.05 per unit, resulting in gross proceeds of $1,000,000 to the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 at any time on or prior to February 16, 2013. The net proceeds from the private placement will be used by the Company for working capital purposes. The common shares and common share purchase warrants comprising the units and the common shares issuable upon the exercise of the common share purchase warrants will be subject to a hold period of four (4) months from the closing of the private placement. On the closing of the private placement, the agent was i) paid, as agent and finder, a cash commission equal to 7% of the gross proceeds from the private placement; ii) issued common share purchase warrants to acquire 2,000,000 common shares equal to 10% of the units sold under the private placement, with each such common share purchase warrant entitling the agent to acquire one common share at an exercise price of $0.05 at any time on or prior to February 16, 2013; and iii) issued 1,368,889 units as a corporate finance fee. The net proceeds from the private placement will be used by the Company for working capital purposes.

Subsequent to December 31, 2010, the Company completed a non-brokered private placement of 541,667 common shares of the Company at a price of $0.06 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of $32,500. The common shares issued pursuant to this private placement are subject to a four-month hold period.

Subsequent to December 31, 2010, the Company completed a non-brokered private placement of 937,500 common shares of the Company at a price of $0.08 per common share in satisfaction of services provided to the Company, totalling an aggregate amount of $75,000, pursuant to a management consultant agreement dated November 9, 2009 and a payment agreement dated March 7, 2011.

In October 2010, the Company received notice from the Toronto Stock Exchange (the "TSX"), indicating that the TSX was reviewing the eligibility for continued listing on the TSX of the securities of the Company, as the Company did not meet the TSX's continued listing requirements. In January 2011, the Company made application and received approval to voluntarily delist its common shares from the TSX, effective February 18, 2011 at the close of market. In an effort to ensure uninterrupted trading of the Company's common shares, the Company made application and received approval from the NEX exchange (the "NEX"), a separate board of the TSX Venture Exchange, to list its common shares effective at market open on Tuesday, February 22, 2011. The Company believes that a transfer in its stock exchange listing to the NEX will provide greater operational efficiency, further access to adequate financing, and lower public filing costs for the Company, while allowing shareholders continued liquidity on a recognized TMX Group board. Historically, the Company has relied on equity financing to maintain the level of capital required to support its growth objectives. Although the Company is currently listed on the NEX, there can be no assurances that management will be able to raise additional funds via the equity markets.

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 deficit and a working capital deficiency of $65,151,163 and $2,425,576, respectively, for the year ended December 31, 2010.

In an effort to generate positive cash flow and support its ongoing product development and sales strategy, effective October 22, 2010, the Company completed the divestiture of its structural products division, including KML Engineered Homes Ltd., ("KML"), a subsidiary and licensee of the Company, to Guy Street Corporation ("Guy Street"), a Delaware corporation. As part of the transaction, Guy Street acquired all of the outstanding stock of Canadian Steel Frame Solutions Inc. ("CSFS"), formerly 6118216 Canada Inc., a wholly owned subsidiary of the Company that served only to hold other indirect wholly owned subsidiaries of the Company. CSFS owns 100% of KML, the Company's structural products subsidiary, and also owns 100% of Light Steel Joist Solutions Inc. ("LSJS"), a subsidiary of the Company that manufactures steel joists only for use by KML in its construction activities. In consideration for the purchase of CSFS (along with its subsidiaries KML and LSJS), Guy Street (i) issued the Company a $750,000 unsecured convertible promissory note, which matures on September 1, 2020, (ii) indemnified the Company by KML and LSJS for approximately $780,000 of liabilities owed by the Company, including the amount of $165,000 owing to Best Joist Inc.; and (iii) granted the Company the right to nominate one person for election to Guy Street's board of directors (or for the appointment to fill a vacancy created in the seat of an elected nominee of the Company) for as long as Guy Street is indebted to the Company or as long as the Company holds an ownership interest directly or indirectly that represents 5% or more of the outstanding shares of Guy Street. As of December 31, 2010, the Company has not nominated a person to the Guy Street board of directors.

The unsecured convertible promissory note is convertible into common shares of Guy Street, at the option of the Company, which, following such conversion, would equal one-third of Guy Street's outstanding common stock as of the closing date of the divestiture. The promissory note accrues interest at the rate of 8% per annum, compounded annually, until December 1, 2013, at which time it pays quarterly interest until maturity. As of December 31, 2010, the Company has not converted the promissory note. The Company recorded a gain on the sale of long-term investments of $5,663,461 as of December 31, 2010, which was due to the divesture of its structural products division.

During fiscal 2010, in an effort to enhance the worldwide adoption of the Genesis Solution and increase its revenues, the Company changed its licensing strategy to include joint ventures. The Company anticipates that entering into joint venture arrangements creates a new business model that gives the Company a stake in an existing or newly formed joint venture entity where it partners with a substantial well-established local company to develop light steel structural component manufacturing operations in strategic global locations where the need for a more efficient building system is necessary and required. An equity stake in the joint venture will allow the Company to share in the potential profits of this operation and to directly influence the direction and success of the business. In addition, the Company may reduce significant portions of its overhead as the joint venture operations endeavour to reach profitability.

Effective May 1, 2010, the Company executed a joint venture agreement with Codding Steel Frame Technologies ("CSFT"), an affiliate of Codding Enterprises L.P. ("Codding"), who is an existing shareholder and an insider of the Company. Effective the date of the agreement, the Company terminated the license agreement between the Company and Codding and entered into a master license agreement with a newly formed entity, Genesis Steel Frame Solutions L.P. ("GSFS LP"), a California limited partnership. In return, the Company received a 35.7% interest in GSFS LP. Within 12 months of the date of the agreement, the Company is required to contribute $500,000 to GSFS LP in immediately available funds or other similar assets. Once the Company has contributed $500,000 to GSFS LP, the Company's ownership interest will increase from 35.7% to 40%. During the third quarter of fiscal 2010, as part of the reduction to the restricted cash balance, as described under "Selected Balance Sheet and Cash Flow Data – Contractual Obligations" of this MD&A, the Company recorded an investment of $273,866 in GSFS LP. As a result, the Company's ownership interest in GSFS LP increased to 37.5%. Additionally, within 12 months of the date of the agreement, the Company has the option to contribute $1,500,000 to GSFS LP in immediately available funds in order to increase its ownership interest to 49%. As of December 31, 2010, the Company has not contributed the additional capital required to increase its percentage of ownership. The Company has accounted for the investment in GSFS LP under the equity method. The Company recorded an impairment of the investment during the fourth quarter of fiscal 2010 of $273,866.

The Company's liquidity issues and its ability to raise capital 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 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 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.

Overview

Genesis is a "green" building technology and solutions provider. Genesis develops and licenses light steel structural building software and provides building solutions aimed at the global residential, commercial and institutional construction markets. Genesis offers a turn-key solution enabling its customers and partners to custom design, manufacture and install complete light steel building structures (the “Genesis Solution”). The Genesis Solution encompasses engineered processes and materials that are environmentally sustainable or “green”. Through Genesis proprietary technologies, licensees are able to efficiently custom manufacture light steel building structures on a mass scale. Genesis offers state-of-the-art industrial equipment to its licensees to ensure that the licensee is able to provide their customers with the best in sustainable construction products. Following the Genesis process, licensees are offered a wide range of services, including ongoing training and support, to ensure that the manufacturing and construction process is efficiently managed from the day of sale through to the completion of the project. The Company’s operating activities consist of the ongoing development, licensing and application of its technology and participating in structural products operations through joint ventures. The Company refers to the licensing of its technologies as its licensing division or licensing business. It is anticipated that, in the future, the licensing division would derive a majority of its revenue through royalties, licensing fees and industrial equipment sales. The Company will continue to develop additional licensees throughout its target markets. In addition, the Company is in discussions with various general contractors, architects and engineering professionals who are interested in licensing the FrameBuilder suite of software.

On October 22, 2010, the Company completed the divestiture of its structural products division, including KML Engineered Homes Ltd. (“KML”), a subsidiary and licensee of the Company, to Guy Street Corporation ("Guy Street"), a Delaware corporation. Guy Street is owned by James R. Arabia, a U.S. businessman with significant turnaround and restructuring experience spanning approximately 20 years, which was formed for the purpose of acquiring the divested entities and was not engaged in any other business activities prior to the transaction, as described under “Financial Condition and Significant Going Concern Uncertainty” of this MD&A. As part of the transaction, Guy Street acquired all of the outstanding stock of Canadian Steel Frame Solutions Inc. ("CSFS"), formerly 6118216 Canada Inc., a wholly owned subsidiary of the Company that serves only to hold other indirect wholly owned subsidiaries of the Company. CSFS owns 100% of KML, the Company's structural products subsidiary, and also owns 100% of Light Steel Joist Solutions Inc. ("LSJS"), a subsidiary that manufactures steel joists only for use by KML in its construction activities. The Company recorded a gain on the sale of long-term investments of $5,663,461 as of December 31, 2010, which was due to the divesture of its structural products division, as described under “Financial Condition and Significant Going Concern Uncertainty” of this MD&A.

As at December 31, 2010, the Company had approximately $7,051 in cash and cash equivalents. The Company remains focused on advancing its technology platform and securing the appropriate financing, collaboration and/or license agreements and continues to apply its resources to these activities. Management is considering all financing alternatives and is seeking to raise additional funds for operations until it achieves, and maintains, profitable operations to continue development and marketing of its technologies. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company’s securities. While the Company is striving to achieve the above plans, there is no assurance that such funding will be available or obtained on favorable terms.

On March 19, 2010, the Company completed a non-brokered private placement of 5,639,241 common shares of the Company at prices ranging from $0.09418 to $0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of $593,390. Muzzo Brothers Group Inc. ("Muzzo Brothers") subscribed for 2,777,437 common shares, pursuant to the private placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Company. Following the completion of the private placement, Zuzum Acquisition Inc., and its associates and affiliates together, were the registered and beneficial holders of 8,315,177 common shares of the Company, representing approximately 14.7% of the issued and outstanding common shares of the Company at that time. Due to the participation by Muzzo Brothers in the private placement, the private placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the private placement subscribed for by Muzzo Brothers exceeded 25% of the Company's market capitalization.

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Subsequent to December 31, 2010, the Company completed a brokered private placement through Canaccord Genuity Corp. acting as the Company’s exclusive agent and finder on a commercially reasonable efforts basis. Pursuant to the private placement, 20,000,000 units, including 6,500,000 units issued pursuant to the over-allotment option which was granted to the agent and exercised in full, were issued to arm’s-length parties at a price of $0.05 per unit, resulting in gross proceeds of $1,000,000 to the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 at any time on or prior to February 16, 2013. The common shares and common share purchase warrants comprising the units and the common shares issuable upon the exercise of the common share purchase warrants will be subject to a hold period of four (4) months from the closing of the private placement. On the closing of the private placement, the agent was i) paid, as agent and finder, a cash commission equal to 7% of the gross proceeds from the private placement; ii) issued common share purchase warrants to acquire 2,000,000 common shares equal to 10% of the units sold under the private placement, with each such common share purchase warrant entitling the agent to acquire one common share at an exercise price of $0.05 at any time on or prior to February 16, 2013; and iii) issued 1,368,889 units as a corporate finance fee. The net proceeds from the private placement will be used by the Company for working capital purposes.

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Subsequent to December 31, 2010, the Company completed a non-brokered private placement of 937,500 common shares of the Company at a price of $0.08 per common share in satisfaction of services provided to the Company, totalling an aggregate amount of $75,000, pursuant to a management consultant agreement dated November 9, 2009 and a payment agreement dated March 7, 2011.

The Market

The year ended December 31, 2010 continued to show an unpredictable global economy downturn that has resulted in a volatile and uncertain business environment, which has continued to present many companies with new business challenges. 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 financial crisis affecting the banking system and financial markets and the going concern threats to banks and other financial institutions globally, have resulted in a tightening in the credit markets, and a low level of liquidity in many financial markets, including residential and commercial mortgages. As a result, general economic conditions continue to be very challenging for most companies which are involved in or dependent on the construction industry, including the Company.

Governments globally have responded to the economic downturn with numerous stimulus packages to help spur their economies. Government stimulus packages have been initiated 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-storeys 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'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. However, certain markets, such as the Middle East, China, India, Brazil and Africa, are exhibiting signs of improvement. Additionally, the world has seen more natural disasters that have created additional opportunities for rebuilding that may represent an opportunity for the Company. The Company's technology provides a fast and efficient way to rebuild homes and businesses. Management is working diligently to identify opportunities in these markets. The Company's strategy for its licensing activities is to focus on those markets that offer the greatest overall potential for growth increased market share and profitability.

Although there are signs of economic recovery and areas of growth, the continuing unpredictable global economy has resulted in an environment which continues to present many companies with new business challenges, including the Company. Genesis, like many others in the construction industry, experienced a large drop in orders and a reduction in its margins in fiscal 2010 compared to prior years. The Company can provide no assurances that the building products market will improve in the near future. To the extent weakness continues into 2011, it will have an adverse effect on the Company's business and results of operations.

During fiscal 2010, in an effort to enhance the worldwide adoption of the Genesis Solution and increase its revenues, the Company changed its licensing strategy to include joint ventures. The Company anticipates that entering into joint venture arrangements creates a new business model that gives the Company a stake in an existing or newly formed joint venture entity where it partners with a substantial well-established local company to develop light steel structural component manufacturing operations in strategic global locations where the need for a more efficient building system is necessary and required. An equity stake in the joint venture will allow the Company to share in the potential profits of this operation and to directly influence the direction and success of the business. In addition, the Company may reduce significant portions of its overhead as the joint venture operations endeavour to reach profitability.

Effective May 1, 2010, the Company executed a joint venture agreement with Codding Steel Frame Technologies ("CSFT"), an affiliate of Codding Enterprises L.P. ("Codding"), who is an existing shareholder and an insider of the Company. Effective the date of the agreement, the Company terminated the license agreement between the Company and Codding and entered into a master license agreement with a newly formed entity, Genesis Steel Frame Solutions L.P. ("GSFS LP"), a California limited partnership. In return, the Company had a 35.7% interest in GSFS LP. Within 12 months of the date of the agreement, the Company is required to contribute $500,000 to GSFS LP in immediately available funds or other similar assets. Once the Company has contributed $500,000 to GSFS LP, the Company's ownership interest will increase from 35.7% to 40%. During the quarter ending September 30, 2010, as part of the reduction to the restricted cash balance, the Company had recorded an investment of $273,866 in GSFS LP. As a result, the Company's ownership interest in GSFS LP increased to 37.5%. Within 12 months of the date of the agreement, the Company has the option to contribute $1,500,000 to GSFS LP in immediately available funds in order to increase its ownership interest to 49%. The Company has accounted for the investment in GSFS LP under the equity method. During the fourth quarter of fiscal 2010, the Company recorded an impairment of the investment of $273,866.

Additionally, as part of a cost containment plan, on October 22, 2010, the Company completed the divesture of its structural products division, including KML Engineered Homes Ltd. ("KML"), a subsidiary and licensee of the Company, to Guy Street Corporation ("Guy Street"), a Delaware corporation. As part of the transaction, Guy Street acquired all of the outstanding stock of Canadian Steel Frame Solutions Inc. ("CSFS"), formerly 6118216 Canada Inc., a wholly owned subsidiary of the Company that serves only to hold other indirect wholly owned subsidiaries of the Company. CSFS owns 100% of KML, the Company's structural products subsidiary, and also owns 100% of Light Steel Joist Solutions Inc. ("LSJS"), a subsidiary that manufactures steel joists only for use by KML in its construction activities.

Selected Financial Information

The following tables set out selected consolidated financial information for the periods indicated. The selected financial information set out below for the years ended December 31, 2010, 2009, and 2008 respectively, has been derived from the audited consolidated financial statements and accompanying notes for the years ended December 31, 2010 and 2009. The unaudited financial information for the three month period ended December 31, 2010 and 2009 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.

Matter Affecting Comparisons

This MD&A includes certain comparisons of the results for the year December 31, 2010 to the results for the year ended December 31, 2009, and the results of the fourth quarter of 2010 compared to those of the fourth quarter of 2009.

On October 22, 2010, the Company divested its structural products division, as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A.. Accordingly, current and prior period results for this division have been reclassified as discontinued operations.

	FOR YEARS ENDED		
Consolidated Statements of Operations Data	**2010**	**2009**	**2008**
(in thousands, except share data)			
Revenue [1]	$176	$3,894	($2,743)
Net Income (loss) [1]	(2,657)	(5,458)	(15,078)
Net income (loss) from discontinue operations	2,296	(6,062)	(3,746)
Per Share:			
Basic and diluted net earnings per share [1]	(0.05)	(0.14)	(0.49)
Basic and diluted net earnings per share	0.04	(0.15)	(0.12)
Weighted average number of common	57,527,106	39,510,309	30,982,858
Financial Position:			
Total assets	1,577	7,773	17,339
Total liabilities	2,993	9,606	12,630

Consolidated Statements of Operations Data	**Three Months Ended December**	
(in thousands of dollars, except share data)	**2010**	**2009**
Revenue [1]	$1	$422
Net Income (loss) [1]	(490)	(2,613)
Net income (loss) from discontinue operations	(131)	(4,109)
Per Share:		
Basic and diluted earnings per share [1]	(0.01)	(0.17)
Weighted average number of common	59,319,494	50,823,110
Financial Position:		
Total assets	1,577	7,773
Total liabilities	2,993	9,606

[1] From continuing operations

Comparison of the Three Months and Fiscal Years Ended December 31, 2010 and December 31, 2009

Revenues

The following represents revenue for the three and twelve months ended December 31, 2010 and 2009 (in thousands except percentages):

Net Revenue	Three Months Ended December 31, 2010		2009		2010 to 2009 Inc (Dec)		% Change
Licensing	$	1	$	422	$	(421)	(100)%

Net Revenue	Year Ended December 31, 2010		2009		2010 to 2009 Inc (Dec)		% Change
Licensing	$	176	$	3,894	$	(3,718)	(95)%

Licensing and structural products revenue for the fourth quarter and fiscal year ended December 31, 2010 declined significantly from the same previous periods. The decline is primarily due to the Company's reorganization and divesture of its structural products entities, as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A. Due to the divesture of its structural products entities, the Company will not record structural products revenue moving forward. Management is working on developing new technology that will enable it to increase sales in the near future. Additionally, the Company will continue to develop new licensees throughout its target markets.

Direct Cost of Revenues

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

The direct cost of revenues for structural products consists of direct labour, direct material, certain plant overheads, and shipping and installation costs. The following represents the direct cost of revenue for the three and twelve months ended December 31, 2010 and 2009 (in thousands except percentages):

Cost of Revenue	Three Months Ended December 31, 2010		2009		2010 to 2009 Inc (Dec)		% Change
Licensing	$	(42)	$	256	$	(297)	(116)%

Cost of Revenue	Year Ended December 31, 2010		2009		2010 to 2009 Inc (Dec)		% Change
Licensing	$	-	$	1,929	$	(1,929)	(100)%

Direct cost of revenues for the licensing and structural products divisions for the fourth quarter and fiscal year ended December 31, 2010 declined from the same previous periods primarily due to the Company's reorganization and focus on the divesture of its structural products entities. Due to the divesture of its structural products entities, the Company will not record structural products cost of revenue moving forward.

Research and Development

Research and development ("R&D") expense include 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 was 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 fourth quarter ended December 31, 2010 was $34,437, compared to $65,889 for the fourth quarter ended 2009, representing a decrease of $31,452. The decrease was primarily due to the reorganization of the Company and its continued cost containment program.

R&D expense for the year ended December 31, 2010 was $161,039, compared to $534,051 for the year ended December 31, 2009. The decrease of $373,012 was due primarily to the reduction of expenses associated with the Company's cost containment plan. The Company anticipates that R&D costs will increase during fiscal 2011 due to the Company's focus on developing new technology and software to attract new markets and customers.

Selling and Marketing

Selling and marketing expense include salaries, commissions and other personnel costs, including travel, participation in trade shows and conferences, and other marketing activities.

Selling and marketing expense for the fourth quarter ended December 31, 2010 was $10,475, compared to $200,805 for the fourth quarter ended 2009, representing a decrease of $190,330. The decrease was primarily due to the reorganization of the Company and its continued cost containment program.

Selling and marketing expense for the year ended December 31, 2010 was $405,681, compared to $1,023,514 for the year ended December 31, 2009, representing a decrease of $617,833. The reduced expenses associated with selling and marketing for both periods were related to the Company's reorganization and cost containment plan. The Company anticipates that selling and marketing expenses will increase during fiscal 2011 as its implements its marketing strategy and releases its new software products.

Engineering and Project Management

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

Engineering and project management expense for the fourth quarter ended December 31, 2010 was $(10,289), compared to $123,308 for the fourth quarter ended 2009, representing a decrease of $133,597. This was primarily due to the divesture during the fourth quarter of fiscal 2010.

Engineering and project management expense for the year ended December 31, 2010 was $29,940, compared to $268,478 for the year ended December 31, 2009, representing a decrease of $238,538. The decline in engineering and project management expense for both periods was primarily due to the Company's cost containment plan and reorganization.

General and Administrative

General and administrative ("G&A") expense include 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 will include the expected legal costs incurred to collect such debts. Any recoveries are netted against bad debt expense in the period they are collected.

G&A expense for the fourth quarter ended December 31, 2010 was $280,859, compared to $1,078,312 for the fourth quarter ended 2009, representing a decrease of $797,453. This was primarily due to the divesture that occurred during the fourth quarter of fiscal 2010.

G&A expense was $1,639,438 for the year ended December 31, 2010, compared to $3,570,096 for the year ended December 31, 2009, representing a decrease of $1,930,658. The decrease in G&A expense for both periods was primarily due to the Company's cost containment plan, reorganization and divesture during 2010.

Occupancy

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

Occupancy expense for the fourth quarter ended December 31, 2010 was $7,673, compared to $142,236 for the same quarter of 2009. Occupancy expense was $92,385 for the year ended December 31, 2010, compared to $327,429 for the year ended December 31, 2009. The decline in occupancy expense for both periods was primarily due to the Company's reorganization, cost containment plan, and divesture during 2010.

The Company entered into a commercial property lease with an existing shareholder and an insider of the Company on December 21, 2006, for a period of 10 years commencing January 1, 2007, for an annual minimum base rent of $727,040. Effective June 30, 2010, the Company and the shareholder agreed to amend the commercial property lease. The amended lease agreement reduced the rentable area, thereby reducing the annual minimum base rent to $635,052. Amounts owing to the shareholder were assumed by the acquisition entity as part of the divestiture of KML as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A. During the quarter ended September 30, 2010, the Company entered into a sub-lease agreement with a third party for the period of July 1, 2010 to October 15, 2010 for a portion of the reduced rentable area.

Amortization and Impairment Charges

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

Amortization expense and impairment charges for the fourth quarter ended December 31, 2010 was $(1,491), compared to $1,108,841 for the fourth quarter ended 2009. The decline in amortization expense and impairment charges is primarily due to the impairment recorded during the fourth quarter ended December 31, 2009, which included $136,237 for property, plant and equipment impairment and $887,626 for impairment of intangibles.

Amortization expense was $6,821 for the year ended December 31, 2010, compared to $85,723 for the year ended December 31, 2009. The decline in amortization expense can be attributed to the divesture, as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A..

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.

On March 19, 2010, the Company completed a non-brokered private placement of 5,639,241 common shares of the Company at prices ranging from $0.09418 to $0.1230 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of $593,390. Muzzo Brothers Group Inc. ("Muzzo Brothers") subscribed for 2,777,437 common shares, pursuant to the private placement. Muzzo Brothers is an affiliate of Zuzum Acquisition Inc., an existing shareholder and an insider of the Company. Following the completion of the private placement, Zuzum Acquisition Inc., and its associates and affiliates together, were the registered and beneficial holders of 8,315,177 common shares of the Company, representing approximately 14.7% of the issued and outstanding common shares of the Company at that time. Due to the participation by Muzzo Brothers in the private placement, the private placement is a "related party transaction" for the purposes of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on the exemptions from the valuation and minority approval requirements of MI 61-101 contained in paragraph (a) of Section 5.5 and paragraph (a) of Section 5.7, respectively, of MI 61-101, as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the portion of the private placement subscribed for by Muzzo Brothers exceeded 25% of the Company's market capitalization.

On October 4, 2010, the Company completed a non-brokered private placement of 2,857,143 common shares of the Company to Codding Enterprises L.P. ("Codding"), an existing shareholder and an insider of the Company, at a price of $0.07 per common share resulting in gross proceeds of $200,000 to the Company. In addition, Codding received one-half of a common share purchase warrant for each common share subscribed for. Each common share purchase warrant is exercisable to purchase one common share of the Company at a price of $0.12 per common share and will expire on October 4, 2012. The common shares and common share purchase warrants are subject to resale restrictions as "restricted securities" as such term is defined in Rule 144(a)(3) under the United States Securities Act of 1933, as amended. In addition, Codding has agreed with the Company not to sell the common shares or the common shares underlying the common share purchase warrants in, or to residents of, Canada, until the day which is four months and one day following the closing date. The net proceeds from the private placement were used by the Company for working capital purposes.

Subsequent to December 31, 2010, the Company completed a brokered private placement through Canaccord Genuity Corp. acting as the Company's exclusive agent and finder on a commercially reasonable efforts basis. Pursuant to the private placement, 20,000,000 units, including 6,500,000 units issued pursuant to the over-allotment option which was granted to the agent and exercised in full, were issued to arm's-length parties at a price of $0.05 per unit, resulting in gross proceeds of $1,000,000 to the Company. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 at any time on or prior to February 16, 2013. The common shares and common share purchase warrants comprising the units and the common shares issuable upon the exercise of the common share purchase warrants will be subject to a hold period of four (4) months from the closing of the private placement. On the closing of the private placement, the agent was i) paid, as agent and finder, a cash commission equal to 7% of the gross proceeds from the private placement; ii) issued common share purchase warrants to acquire 2,000,000 common shares equal to 10% of the units sold under the private placement, with each such common share purchase warrant entitling the agent to acquire one common share at an exercise price of $0.05 at any time on or prior to February 16, 2013; and iii) issued 1,368,889 units as a corporate finance fee. The net proceeds from the private placement will be used by the Company for working capital purposes.

Subsequent to December 31, 2010, the Company completed a non-brokered private placement of 541,667 common shares of the Company at a price of $0.06 per common share in satisfaction of the payment of outstanding indebtedness of an aggregate amount of $32,500. The common shares issued pursuant to this private placement will be subject to a four-month hold period.

Subsequent to December 31, 2010, the Company completed a non-brokered private placement of 937,500 common shares of the Company at a price of $0.08 per common share in satisfaction of services provided to the Company, totalling an aggregate amount of $75,000, pursuant to a management consultant agreement dated November 9, 2009 and a payment agreement dated March 7, 2011.

While the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, there are material uncertainties related to certain adverse conditions and events that cast substantial doubt on the validity of this assumption. 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; and (ii) actively managing its working capital and liquidity. 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 substantial 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 new technology, revised sales strategy and ongoing commitment to increase relationships with current licensees.

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 described under "The Market" of this MD&A. The

Company has continued to incur losses, but has also continued to reduce its operating expenses and reorganize its structure. The Company's cash balance as at December 31, 2010 was $7,051, and is not sufficient to meet the Company's current needs or obligations. 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

			2010 to 2009	
(in thousands of dollars)	**2010**	**2009**	**Inc (Dec)**	**% Change**
Cash	$ 7	$ 72	$ (65)	(90)%
Working capital	(2,426)	(4,936)	2,510	(51)%
Long term assets	1,154	3,681	(2,527)	(69)%
Long term liabilities	144	578	(434)	(75)%
	$ (1,120)	$ (605)	$ (515)	85%

	Year Ended December 31,		2010 to 2009	
(in thousands of dollars)	**2010**	**2009**	**Inc (Dec)**	**% Change**
Operating activites	$ 3,268	$ (3,257)	$ 6,525	(200)%
Investing activities	1,516	(385)	1,901	(493)%
Financing activities	439	4,163	(3,724)	(89)%
Net cash inflow (outflows) from operations	5,223	521	4,702	903%
Net cash inflow (outflows) from discontinued operations	(5,288)	(615)	(4,672)	759%

Operating Activities

Cash used by operating activities for the twelve months ended December 31, 2010 decreased by 200%. The decrease in cash used in operating activities was directly related to the Company's restructuring and the divesture of the Company's structural products division.

Investing Activities

Cash provided by investing activities for the twelve months ended December 31, 2010 increased by 493%. The Company's investing activities in 2010 consisted mainly of the divestiture of the Company's structural products division, while 2009 consisted mainly of royalties paid and purchases of intangible assets.

Financing Activities

Cash provided by financing activities was $439 for the twelve months ended December 31, 2010, compared to $4,163 for the same period in 2009. The Company's financing activities in 2010 consisted mainly of common stock issuances, repayment of term loan and restricted cash, while 2009 consisted mainly of debenture proceeds, common stock issuances, and repayment of a term loan.

Contractual Obligations

On January 11, 2010, the Company received a termination notice from Best Joist Inc. ("Licensor" or "BJI") in regards to the non-transferable license to use the Licensor's technology for the production and sale of certain steel joist products in Canada and the United States. On June 10, 2010, a statement of claim was filed by BJI against the Company for damages for breach of contract and for interference with economic relations. On August 31, 2010, the Company and BJI reached a settlement which grants KML a non-exclusive license, limited to the Province of Ontario, to use concentric cold-formed joist technology developed by BJI. All amounts owing to BJI would be assumed by the acquisition entity as part of the divestiture of KML. The Company no longer uses the BJI patent or license.

In June 2008, KML, a former subsidiary of the Company, as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A., 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 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. On May 28, 2010, Codding Enterprises L.P. ("Codding"), an existing shareholder and an insider of the Company, completed the purchase of the secured non-revolving term loan. The amount of the term loan has been adjusted to include the costs incurred by Codding, including accrued interest and other late charges incurred up to and including the date that the term loan was acquired. Codding has agreed to modify the term loan in several ways advantageous to the Company, including a reduction in the monthly loan payments, and removal of certain restrictive covenants. The modifications will include the following: (i) $84,000 will be repaid in 18 equal instalments over 18 months, with interest accruing and paid monthly at 12% per annum on the unpaid balance; and (ii) the balance of the term loan will be modified to reflect monthly interest-only payments at 12% per annum and the term of the loan will be extended to five years. As part of the transaction, a modification fee of $160,000 (equivalent to US$150,000), payable to Codding, accrued and recorded as term loan and debenture interest expense during the quarter ending June 30, 2010, was withdrawn from the restricted cash balance during the quarter ending September 30, 2010. Also during the quarter ending September 30, 2010, the restricted cash balance had been reduced to $nil as the funds had been used to reimburse Codding in the amount of $66,444 against advances received by the Company in previous periods, as well as an investment of $273,866 in GSFS LP, as described under "Financial Condition and Significant Going Concern Uncertainty" of this MD&A.

Contingencies

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the Company's more significant estimates include those related to the allowance for doubtful accounts, inventory, property, plant and equipment amortization, and assessment of going concern assumption, accounts payable and accrued liabilities, cost estimates in cost of revenues, revenue recognition for license arrangements with multiple elements and stock-based compensation expense. Actual results could differ from those estimates and the differences may be material.

Accounts receivable and allowance for doubtful accounts

The Company evaluates the collectability 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 that management reasonably believes will be collected.

Inventories

Inventories of raw materials are valued at the lower of cost and replacement cost. Equipment that has been received from suppliers but not yet delivered to customers under licensing arrangements have been included within inventories and recorded at the lower of cost and estimated net realizable value.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization commences when the assets are put into use and is based on their estimated useful lives as follows:

Asset	Basis	Method
Furniture and fixtures	Declining Balance	20%
Computer software	Declining Balance	30%
Computer equipment	Declining Balance	20%

In prior periods, the Company stated that it depreciated computer equipment over five years using the straight line method. The Company utilizes the 20% declining balance method for computer equipment.

Impairment of long-lived assets

The Company reviews its property, plant and equipment and finite life intangible assets [technology license, computer software and patents] for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. In the event the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value, determined on a discounted cash flow basis, is charged to the consolidated statements of loss, comprehensive loss and deficit. As a result of the significant measurement uncertainty in determining cash flows, management's estimate of fair value is based on the market (sales comparison) approach and assumes an in use premise which does not represent a likely liquidation value.

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. Amounts are billable as defined by individual contracts. Fees and advances received from customers that do not qualify for revenue recognition are recorded as deferred revenue. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue.

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:

- there is objective and reliable evidence of the fair value of the undelivered items;
- the delivered items have value to the customer on a stand-alone basis;
- delivery or performance of the undelivered items is considered probable and substantially in the control of the company; and
- fees related to delivered elements are not subject to refund, forfeiture or other concession if undelivered elements are not delivered

If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being deferred until the earlier of when such criteria is met or when the last undelivered element is delivered.

The Company's revenue under its license arrangements is recognized as follows:

Software and technology

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

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. The fair value of the equipment is established based on the prices when the equipment is sold separately.

Royalty income

Income from royalties is recognized in the period earned.

Services

Revenue from services is recognized as the services are provided to the customer. The fair value of the services is based on rates/pricing used when the services are sold separately.

The residual method is used to allocate revenue to the delivered component of the arrangement based on the fair value of undelivered elements.

Financial instruments

All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair value, except for loans and receivables and other financial liabilities, which are measured at amortized costs. The Company has designated cash and cash equivalents as held-for-trading. Accounts receivable and note receivables are classified as receivables and notes and are carried at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities at amortized cost.

If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in accumulated other comprehensive income (loss) and recognized in earnings on sale or other than temporary impairment.

Research and development expenses and investment tax credits

Research and development expenses include all costs incurred to establish technological feasibility and are charged to operations in the period in which they are incurred. The Company does not capitalize any development costs as they do not meet the criteria for capitalization. The Company records the benefit of investment tax credits from the filing of Scientific Research & Experimental Development ("SR&ED") claims, when recovery is reasonably assured, as a reduction of the cost of the assets or expenses to which they relate. Until the Company's initial public offering on July 3, 2007, the Company was classified as a Canadian Controlled Private Corporation ("CCPC"). By virtue of a CCPC, the Company claimed and received 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 investment tax credits earned by the Company is no longer refundable but is available to the Company at a reduced rate to reduce future cash taxes otherwise payable for a carry-forward period of 20 years from the year they are earned.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary assets and liabilities are translated at exchange rates in effect on the date of the transaction. Revenues and expenses are translated into Canadian dollars at monthly average exchange rates. Resulting exchange gains and losses are included in the consolidated statements of loss, comprehensive loss and deficit.

Translation of consolidated financial statements

The Company’s foreign subsidiaries are considered to be integrated operations for accounting purposes. The Company uses the temporal method to translate the foreign currency accounts for its integrated operations. Under the temporal method, monetary items denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Foreign exchange gains and losses from the translation of the financial statements of integrated foreign operations are included in the consolidated statements of loss, comprehensive loss and deficit as exchange gains and losses.

Stock-based compensation

The Company records compensation expense for stock options granted to employees and directors. For stock options granted prior to the initial filing of the prospectus, compensation expense was measured at the fair value at the grant date using the minimum value method, and for options granted after the initial filing of the prospectus, the Black-Scholes option pricing model was used. The value of the options is charged to operations over the vesting period, with a corresponding credit to contributed surplus. Any consideration paid by employees on exercise of stock options is credited to capital stock together with any previously recognized compensation expense in contributed surplus.

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 basis 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.

In assessing the valuation of future tax assets, management considers whether a valuation allowance is required for any of the Company’s future tax assets, based on whether it is more likely than not that the future tax assets will be realized. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment.

Loss per share

Loss per share is computed by dividing net loss for the year by the weighted average number of common shares outstanding for the year. Diluted loss per common share reflects the dilution that would occur if outstanding stock options and warrants were exercised or converted into common shares using the treasury stock method. When their inclusion would have an anti-dilutive effect on loss per common share, stock options and warrants are excluded from the computation.

Recent Canadian Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. The Company is currently developing its implementation timeline for the conversion process and will continue to invest in training and additional resources. The Company will then assess and report on the financial reporting impact of the transition to IFRS, which cannot be reasonably estimated at this time.

Related Party Transactions

Effective May 1, 2010, the Company executed a joint venture agreement with Codding Steel Frame Technologies ("CSFT"), an affiliate of Codding Enterprises L.P. ("Codding"), who is an existing shareholder and an insider of the Company. The Company terminated the license agreement between the Company and Codding and entered into a master license agreement with a newly formed entity, Genesis Steel Frame Solutions L.P. ("GSFS LP"), a California limited partnership. In return, the Company received a 35.7% interest in GSFS LP. Within 12 months of the date of the agreement, the Company is required to contribute $500,000 to GSFS LP in immediately available funds or other similar assets. Once the Company has contributed $500,000 to GSFS LP, the Company's ownership interest will increase from 35.7% to 40%. During the quarter ending September 30, 2010, as part of the reduction to the restricted cash balance, the Company recorded an investment of $273,866 in GSFS LP. As a result, the Company's ownership interest in GSFS LP increased to 37.5%. Additionally, within 12 months of the date of the agreement, the Company has the option to contribute $1,500,000 to GSFS LP in immediately available funds in order to increase its ownership interest to 49%. The Company has accounted for the investment in GSFS LP under the equity method. The Company recorded an impairment of the investment during the fourth quarter of fiscal 2010 of $273,866.

Subsequent to December 31, 2010, the Company, as part of its joint venture with GSFS LP, entered into a sublease agreement with Codding for office space located in Rohnert Park, California. The Company is responsible for half of the rent of $3,784 per month. The lease expires on June 30, 2012.

Muzzo Brothers Group Inc. ("Muzzo Brothers"), 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. The Company is also liable for additional rent for operating costs, utilities and taxes. Effective June 30, 2010, the Company and the shareholder agreed to amend the commercial property lease. The amended lease agreement reduced the rentable area, thereby reducing the annual minimum base rent. The rental amounts owing to the shareholder were assumed by the acquisition entity as part of the divestiture of KML, a former subsidiary of the Company. During the quarter ended September 30, 2010, the Company entered into a sub-lease agreement with a third party for the period of July 1, 2010 to October 15, 2010 for a portion of the reduced rentable area.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of December 31, 2010.

Share Capital

As at December 31, 2010, the Company had:

- 59,319,494 common shares issued and outstanding;
- 3,650,000 common share purchase warrants outstanding, which entitle the holder to acquire 3,650,000 common shares of the Company; and
- 2,718,000 common share options outstanding under the Company’s stock option plan to purchase 2,718,000 common shares of the Company; and
- 835,712 common share options outstanding to debenture holders to purchase 835,712 common shares of the Company.

Refer to “Liquidity and Capital Resources” of this MD&A for additional information related to equity.

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 as described under “Liquidity and Capital Resources” of this MD&A.

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 Chief Executive Officer and Vice-President of Finance have made certain certifications related to the information in the Company’s annual and interim 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 Company’s Chief Executive Officer and Vice-President of Finance 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 interim 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 companies of similar size and senior management and review and oversight practices.

The Company’s Chief Executive Officer and Vice-President of Finance, 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, 2010, the Company’s disclosure controls and procedures are ineffective.

Management's Report on Internal Control over Financial Reporting

As part of the Form 52-109 certification, the Company’s Chief Executive Officer and Vice-President of Finance 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 Chief Executive Officer and Vice-President of Finance have concluded that, as at December 31, 2010, 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 has not completed testing of its controls in 2010 to adequately determine whether the operating effectiveness of its internal controls is satisfactory.

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 the Company. 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 in common with companies this size, 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.

Management reviews the assignment of responsibilities on an ongoing basis. Management will continue to monitor the existing mitigating controls and implement changes where appropriate and feasible.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2010 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.

(in thousands of dollars)	Three Months Ended December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Revenue	$ 1	$ -	$ (17)	$ 191
Direct cost of revenue	(42)	13	14	177
Operating expense	323	239	788	978
Net income (loss) from continuing operations	(490)	(522)	(861)	(785)
Net income (loss) from discontinued operations	(131)	(1,169)	(1,054)	(1,014)
Basic and diluted income (loss) per share	(0.01)	(0.03)	(0.03)	(0.03)
Total assets	1,577	3,424	4,784	5,256

(in thousands of dollars)	Three Months Ended December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Revenue	$ 422	$ 441	$ 806	$ 2,226
Direct cost of revenue	167	312	736	750
Operating expense	1,637	1,908	1,015	1,110
Net income (loss) from continuing operations	(2,613)	(1,720)	(551)	(574)
Net income (loss) from discontinued operations	(4,109)	(514)	(1,068)	(370)
Basic and diluted loss per share	(0.13)	(0.04)	(0.05)	(0.03)
Total assets	7,773	14,664	15,574	16,139