

**EmerGeo Solutions Worldwide Inc.**  
(Formerly Kavalmedia Services Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Years ended March 31, 2010 and 2009**

**Dated July 22, 2010**

## **EmerGeo Solutions Worldwide Inc.** **(Formerly Kavalmedia Services Ltd.)**

Management Discussion and Analysis  
Years ended March 31, 2010 and 2009

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This Management Discussion and Analysis (“MD&A”) of EmerGeo Solutions Worldwide Inc. (formerly Kavalmedia Services Ltd.) (the “Issuer” or the “Company”) has been prepared by management as of July 22, 2010 and should be read in conjunction with the Company’s audited consolidated financial statements and related notes thereto as at and for the years ended March 31, 2010 and 2009, which were prepared in accordance with Canadian Generally Accepted Accounting principles. The Company is presently a “Venture Issuer”, as defined in NI 51-102.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

### **Description of the Business**

The Company was incorporated on October 16, 1997 under the laws of British Columbia. The Company is listed on the TSX Venture Exchange (the “Exchange”). Effective August 5, 2008, the Company changed its name from Kavalmedia Services Ltd. to EmerGeo Solutions Worldwide Inc. and commenced trading under its new name and symbol, EMG. There was no consolidation of share capital.

On May 2, 2008, the Company completed the acquisition of EmerGeo Solutions, Inc. (“EmerGeo”). Pursuant to a Share Exchange Agreement dated February 15, 2008, the Company acquired all of the issued and outstanding shares of EmerGeo in exchange for the issuance of 6,000,000 shares of the Company. In addition, 300,000 common shares of the Company were issued as a finder’s fee to an arm’s length party with respect to the acquisition. The 6,300,000 common shares are subject to a Surplus Security Escrow Agreement and will be released from escrow over a period of three years in accordance with the policies of the Exchange.

EmerGeo, a British Columbia corporation, is a leading provider of Emergency Management software and consulting services. It sells to emergency management and homeland security industries around the globe.

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Historically, governments and industry have relied on manual (paper-based) tracking systems and voice communications to coordinate and support emergency response activities and resources. EmerGeo's software is designed to efficiently log, manage and communicate information among responders and provide tools to support life safety, property protection and environmental conservation. Its open standards technology enables seamless integration with GIS (mapping), security (camera), resource tracking (GPS), and other technologies to provide a Common Operating Picture (COP) across multiple departments and agencies. The software provides an integration platform called Fusionpoint™ with optional interfaces to world leading crisis management, alert/notification, and simulation solutions. EmerGeo leverages sales globally through partnerships with complimentary technology providers and integrators, such as CAE and ESRI.

We continue to focus our research & development on our core strengths which are emergency management information systems and geographic information systems (GIS). Our latest EmerGeo Mapping™ and Fusionpoint™ Version 5 software applications have been released and market acceptance has been positive. These latest versions of the software have been used during major emergencies and events around the world, including security operations for Formula1 (F1) motor racing and FIFA soccer events in Abu Dhabi. These product advancements are raising the price point and profit margins, expanding use, and increasing the scalability of our solutions.

**Selected Annual Information**

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Years ended March 31,	2010	2009	2008
	\$	\$	\$
Revenues	2,956,687	2,082,336	962,375
Net income (loss)	(2,030,572)	(1,920,687)	15,604
Loss per share, basic and diluted	(0.12)	(0.12)	-
Total assets	2,322,139	2,387,516	644,870
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

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### **Operations and Corporate Updates**

#### **Product Updates**

##### **EmerGeo Fusionpoint™**

On June 30, 2009, EmerGeo released its crisis management software product called EmerGeo Fusionpoint™. Building on the Company's disaster-proven technology and experience, EmerGeo Fusionpoint™ provides a unified view of information through consumption of data from multiple systems commonly used in response to emergencies: crisis information management software, 9-1-1 dispatch systems, electronic (GIS) mapping, security cameras and other systems. EmerGeo Fusionpoint™ uses the latest open web standards and SOA (Service Oriented Architecture) to enable integration with a wide variety of systems. EmerGeo's unique and proprietary Fusion Service technology with "Intelligent Connectors" provides options to interface with many external systems and databases. Customers simply drag-and-drop their application windows ("widgets") into the EmerGeo Fusionpoint™ dashboard to create a custom emergency management web portal. Role-based security and filters are used to ensure the right level of information is displayed for each user and real-time updates are distributed across multiple Fusionpoint servers to enable multi-agency interoperability. More information can be obtained from the Company's website at <http://www.emergeo.com>.

EmerGeo Fusionpoint Version 5.3 was announced and will be available in August 2010. It adds significant data sharing (interoperability) capabilities, support for Arabic language, and a new automated alerting capability. EmerGeo Fusionpoint has performed very well, including at the Vancouver Emergency Operation Centre during the 2010 Olympics for incident monitoring and automated alerting.

#### **Operations Update**

The Company's software continues to be proven-effective during major emergencies, disasters and planned events. In April 2009, EmerGeo Software was implemented and used for the Red River Flood event in the Province of Manitoba. This implementation was accomplished within approximately three (3) weeks from the time the order was received to operational state. The software was also used by the Abu Dhabi Police in their emergency and crisis management work, at the inaugural *Yas Island Formula 1*® Race in early November, to incorporate GIS based security and emergency plans in support of their emergency response operations. In December 2009, the software was again successfully used for security operations during the FIFA Cup and National Day Celebrations in Abu Dhabi. The Abu Dhabi Police are now exploring the software's expanded use for daily operations. Several customers have used the software to track the global outbreak of the H1N1 Virus, develop plans for this and other hazards, manage security operations for the 2010 Olympic Games® and run exercise to enhance their preparedness.

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Investment in our market sector, public safety and homeland security, continues to grow despite the current upheaval in World financial markets. The Company is well positioned to secure large contracts in many emerging markets, including the Middle East (Gulf Cooperation Council), India and Asia.

EmerGeo's technology helps responders to do more with less and leverage their investments in existing systems by fusing data from those systems using the Fusionpoint portal – we are helping our customers bring essential data together and turn it into actionable intelligence. The Company continues to invest in sales and marketing, research and development and leverage strategic partnerships to maintain its global growth.

Below is a brief summary of a few key business activities that EmerGeo has successfully completed this fiscal year:

### **1. United Arab Emirates**

- a. EmerGeo software was purchased by a leading national organization responsible for managing and coordinating all efforts related to crisis and emergency. It is being used regularly, including monitoring H1N1 events.
- b. EmerGeo's Fusionpoint software is being deployed at ADNOC - the national oil company in Abu Dhabi. This has opened an expansion opportunity among its eighteen (18) subsidiary companies.
- c. On July 20, 2009, the Company announced that its subsidiary EmerGeo Software Solutions Middle East LLC has secured an AED 1,935,000 (C\$615,000) services contract within the United Arab Emirates (UAE) in the Middle East.
- d. EmerGeo software was deployed by Abu Dhabi Police for several major events and expanding its use across the Emirates are underway.
- e. Several sizeable multi-year, multi-million dollar proposals have been submitted for the supply of EmerGeo's emergency management software, consulting services in new state of the art emergency operation centres across the Middle East.

### **2. North America**

- a. EmerGeo has successfully implemented its software in large utility, oil and gas and air-based transport medicine organizations.

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- b. EmerGeo software was quickly implemented and successfully used at the Province of Manitoba's emergency operation centre during the 2009 Red River Flood event.
- c. EmerGeo software (Fusionpoint) was released and successfully used by the City of Vancouver to support a crisis management exercise in preparation for the 2010 Olympics. The software was used successfully by the City during the Games and this has opened doors to future use at Olympic Games and other major events around the world.

### **3. Australia**

- a. EmerGeo software was selected after an intensive 2-year pilot as the standard emergency management system that enables real-time information and data sharing between multiple emergency response agencies across Western Australia.
- b. EmerGeo's software was also purchased by the Victoria Police to support wildfire and other types of response operations. Additional sales to state and local agencies are expected as a result of these successes and recent disasters in Australia.

### **4. Strategic Alliances**

Several strategic alliances have been formed to leverage our sales and technology around the world. An example is CAE, ([www.cae.com](http://www.cae.com)), a world leader in simulation technologies and training services. The Company has also secured Reseller Agreements with partners in Europe, the Middle East and the Caribbean.

EmerGeo will continue to build, integrate and implement the World's leading emergency management information systems that are proven effective at helping save lives, securing property and protecting the environment – around the Globe.

## **Discussion of Operations and Financial Condition**

### **Sales**

Sales for the year were \$2,956,687, up \$874,351 from \$2,082,336 in prior fiscal year. The increase in revenues was mainly attributable to increased consulting and product sales revenues from the Middle East.

### **Gross Profit and Margin**

The Company's gross profit was \$907,720 during the year compared to gross profit of \$539,212 in prior fiscal year. Overall margins increased from 26% to 31% for the year ended March 31, 2010.

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Gross margins increased as a result of improved utilization of the Company's consulting and customer service personnel, increases in software license sales, and reduced 3<sup>rd</sup> party licensing fees on those software sales.

### Expenses

General and administrative expenses decreased by \$29,912 from \$1,156,131 in the prior fiscal year to \$1,126,219 for the current year as a result of decreased corporate activity such as marketing and professional fees of approximately \$144,000 offset by increased infrastructure costs relating to expanded operations and increased staffing levels of approximately \$114,000.

Stock-based compensation of \$191,737 was recorded during the year ended March 31, 2010, as a result of stock options granted to the Company's employees and consultants to purchase 85,000 shares at \$0.50 per share for a period of ten years expiring April 13, 2019. During the year ended March 31, 2009, the Company recorded a stock-based compensation of \$378,201.

Sales and marketing expenses increased by \$258,017 from \$586,520 in the prior fiscal year to \$844,537 for the current year. The increase in sales and marketing expenses was a result of the Company's expansion of its sales and business development organization, corporate rebranding efforts, and increased global promotional activities in North America and particularly in the Middle East.

Research and development expenses increased by \$256,104 from \$291,311 in the prior fiscal year to \$547,415 for the current year. The increase in research and development expenses was mainly as a result of the expansion of the Company's software development team.

During the year ended March 31, 2010, the Company discontinued the eLearning business section and re-developed the Company's website. As a result, an impairment loss of \$38,954 is recognized during the year ended March 31, 2010.

### Net Loss

During the year ended March 31, 2010, the Company reported a net loss of \$2,030,572 as compared to a net loss of \$1,920,687 during the year ended March 31, 2009. The increase in net loss of \$109,885 was mainly due to the increases in sales and marketing and research and development from expanded operations and the impairment of intangible assets as mentioned above offset by the increase in gross profit and decreases in general and administrative expenses and stock-based compensation recorded during the year ended March 31, 2010.

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### **Summary of Quarterly Results**

The following is a summary of certain financial information concerning the Company for each of the last eight reported quarters:

	Mar-31- 10	Dec-31- 09	Sep-30- 09	Jun-30- 09	Mar-31- 09	Dec-31- 08	Sep-30- 08	Jun-30- 08
Revenues	593,413	820,464	1,048,529	494,281	927,187	441,244	518,587	195,318
Net income (loss)	(632,510)	(462,049)	(367,223)	(568,790)	(463,460)	(340,177)	(443,090)	(673,960)
Per share basis:								
Basic and diluted earnings (loss)	(0.04)	(0.03)	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)	(0.04)

During the eight fiscal quarters beginning June 30, 2008, there have been no significant trends.

During the quarter ended June 30, 2008, the Company completed the reverse acquisition of EmerGeo Solutions Inc. See “Description of Business” above.

### **Liquidity & Capital Resources**

The Company has financed its operations and met its capital requirements primarily through the sale of capital stock, use of its borrowing facilities and debt financings. The Company’s main source of liquidity consisted of cash and cash equivalents. As at March 31, 2010, the Company had cash and cash equivalents of \$115,564 representing a decrease of \$619,019 compared with cash and cash equivalents of \$734,583 at March 31, 2010.

The Company’s cash and cash equivalents at March 31, 2010 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

The Company reported a working capital of \$87,821 at March 31, 2010 compared to a working capital of \$855,313 at March 31, 2009, representing a decrease in working capital by \$767,492. Net cash on hand decreased by \$619,019, resulting mainly from inflows of net cash of \$139,860 from the exercise of warrants, \$1,000,000 from a debt financing, \$507,792 from a line of credit facility and a cash contribution by non-controlling interest of \$10,293 offset by outflows of cash for operations of \$2,058,291, purchase of equipment of \$2,610 and cash utilized for investments in intangible assets of \$216,063.

Current assets excluding cash at March 31, 2010 increased by \$594,403 from \$1,205,844 at March 31, 2009 to \$1,800,247 at March 31, 2010. The increase in current assets was attributable to increases in accounts receivable by \$653,290 offset by the decreases in income tax recoverable of \$23,208 and prepaid expenses and deposits of \$35,679.

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Current liabilities at March 31, 2010 increased by \$742,876 from \$1,085,114 as at March 31, 2009 to \$1,827,990 at March 31, 2010. The increase in current liabilities resulted from the increases in accounts payable of \$166,368, credit facilities of \$507,792 and deferred revenue of \$68,716.

The Company, through its subsidiary, EmerGeo Solutions, has credit facilities with the Royal Bank of Canada, which includes demand operating loans to a maximum of \$150,000 which bears interest at prime plus 1.8%. These credit facilities are secured by a first priority lien on the assets of the company including, but not limited to, inventory, equipment, accounts receivable, chattel paper, documents of title, contractual rights and insurance claims, all patents, industrial designs, trade-marks, trade secrets and know-how, and all proceeds and renewals thereof. As at March 31, 2010, the line of credit had a balance of \$Nil (March 31, 2009 - \$Nil).

The Company obtained a \$1,000,000 loan pursuant to a loan agreement dated November 5, 2009. The loan has a term of three years and bears interest at a rate of 16% per annum. The loan is secured by General Security Agreements from the Company and the Company's wholly-owned subsidiary, EmerGeo Solutions Inc., and by a guarantee from EmerGeo Solutions Inc. As additional consideration for the loan, the Company issued 400,000 share purchase warrants to the lender. Each share purchase warrant entitles the lender to acquire a common share of the Company at a price of \$0.50 per share for a period of three years expiring November 5, 2012.

EmerGeo Software Solutions Middle East LLC ("EmerGeo Middle East"), the Company's 49% owned subsidiary, was granted a US\$400,000 line of credit facility on October 1, 2009. On March 9, 2010 the limit on this line of credit facility was increased to US\$500,000. The loan has a term of one year and bears interest at 4.5% over and above Emirates interbank offered rate per annum compounded daily. EmerGeo Middle East shall repay all principal and accrued interest not later than September 30, 2010 and in case of default an additional 2% will be charged on the loan. The loan is secured by a guarantee from the Company. As at March 31, 2010, the line of credit had a balance of \$507,792 (March 31, 2009 - \$Nil).

During the year ended March 31, 2010 the Company raised \$139,860 from the exercise of 499,500 share purchase warrants.

The other sources of funds potentially available to the Company as of the date of this MD&A are the exercise of 615,000 outstanding share purchase warrants at \$0.75 per share which expire December 7, 2012, 1,220,325 share purchase warrants at \$0.40 per share which expire June 19, 2013, 400,000 share purchase warrants at \$0.50 per share which expire November 5, 2012, 540,000 vested stock options at \$0.34 per share which expire July 8, 2017, 400,000 vested stock options at \$0.56 per share which expire May 2, 2013, 15,000 vested stock options at \$1.12 per share which expire May 13, 2013, 50,000 vested stock options at \$0.95 per share which expire September 2, 2013, 365,000 vested stock options at \$0.50 per share which expire January 21, 2014, 74,375 vested stock options at \$0.50 per share which expire April 13, 2019 and

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258,750 vested stock options at \$0.18 per share which expire May 19, 2020. However, there can be no assurance, whatsoever, that any of these outstanding exercisable securities will be exercised.

The Company is actively trying to raise additional funds through equity financings, debt financings and other means in order to meet its obligations to March 2011. Although the Company believes that its cash and cash equivalents from improved operations going forward and credit facilities will be sufficient to satisfy its immediate operating cash requirements, the Company will continue to have capital requirements in excess of its currently available resources to carry out its objectives and will, therefore, be required to raise additional funds. In addition, if the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. Although the Company has previously been successful in raising the funds required for its operations and obtaining short term loans and credit facilities, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. In the event that cash flow from operations, if any, together with the proceeds of any future financings are insufficient to meet the Company's current operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

**Transactions with Related Parties**

During the year ended March 31 2010, the Company paid or accrued \$72,000 (2009 - \$66,000) for professional fees to a company controlled by an officer of the Company.

During the year ended March 31 2010, the Company paid or accrued \$260,000 (2009 - \$240,000) for wages to two directors and officers of the Company.

During the year ended March 31 2010, the Company paid or accrued \$Nil (2009 - \$40,479) for accounting fees to a company controlled by a spouse of a director and officer of the Company.

During the year ended March 31 2010, the Company paid or accrued \$47,227 (2009 - \$28,220) for legal fees and \$Nil (2009 - \$12,771) for share issue costs to a company controlled by an officer of the Company.

During the year ended March 31 2010, the Company paid or accrued \$56,000 (2009 - \$55,000) for office, rent and administration to a company having an officer in common.

During the year ended March 31 2010, the Company paid or accrued \$65,833 (2009 - \$Nil) for consulting fees to a director of the Company.

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As at March 31 2010, included in accounts payable and accrued liabilities was \$8,549 (2009 - \$2,354) due to a company owned by an officer of the Company.

As at March 31 2010, the amounts due to shareholders, directors, officers and related companies of directors and officers of \$87,357 (2009 - \$87,357) were unsecured, non-interest bearing and without fixed terms of repayment.

These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Fourth Quarter Discussion**

#### Sales

Sales for the three months ended March 31, 2010 were \$593,413, decreased by \$333,774 from \$927,187 in the same period of prior fiscal year. The decrease in revenues was attributable to decrease software and consulting revenues in North America, partially offset with higher consulting revenues in the Middle East.

#### Gross Profit and Margin

The Company's gross profit was \$121,608 during the three months ended March 31, 2010 compared to gross profit of \$257,120 in the same period of prior fiscal year. Overall margins decreased from 28% to 20%.

Gross margins decreased in the period as a result of a higher mix of consulting revenues versus software revenues as compared to the same period in the 2009.

#### Expenses

General and administrative expenses increased by \$41,721 from \$284,871 for the three months ended March 31, 2009 to \$326,592 for the three months ended March 31, 2010 as a result of increased corporate activity and increased infrastructure costs relating to expanded operations and increased staffing levels and North America and the Middle East.

Stock-based compensation of \$17,534 was recorded during the three months ended March 31, 2010, as a result of stock options granted to the Company's employees and consultants to purchase 85,000 shares at \$0.50 per share for a period of ten years expiring April 13, 2019. During the three months ended March 31, 2009, the Company recorded a stock-based compensation of \$83,830.

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Sales and marketing expenses increased by \$16,523 from \$188,761 for the three months ended March 31, 2009 to \$205,284 for the three months ended March 31, 2010. The increase in sales and marketing expenses was a result of the Company's expansion of its sales and business development organization, corporate rebranding efforts, and increased global promotional activities.

Research and development expenses increased by \$23,271 from \$127,956 for the three months ended March 31, 2009 to \$151,227 for the three months ended March 31, 2010. The increase in research and development expenses was mainly attributable to the as a result of additional hiring to expand the Company's software development team.

During the three months ended March 31, 2010, the Company recorded an impairment loss of intangible assets resulted from the discontinuance of eLearning business section and re-development of the Company's website.

### Net Loss

During the three months period ended March 31, 2010, the Company reported a net loss of \$632,510 as compared to a net loss of \$463,460 during the three months ended March 31, 2009. The increase in net loss of \$169,050 was mainly due to the decrease in gross profit and increases in general and administrative expenses, sales and marketing and research and development from expanded operations offset by decrease in stock-based compensation expense as mentioned above.

### Subsequent Events

The following events occurred subsequent to the year ended March 31, 2010:

- (i) The Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase 1,035,000 common shares at an exercise price of \$0.18 per share expiring 10 years from the date of grant.
- (ii) The Company amended the terms of its 1,220,325 share purchase warrants. The original terms specified that each whole warrant was exercisable into one common share at a price of \$1.50 per share expiring on June 18, 2010. The Company amended the warrant exercise price from \$1.50 per share to \$0.40 per share and amended the expiry date from June 18, 2010 to June 18, 2013. The amended warrants contain a forced provision exercise whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above \$0.50 for ten consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period.

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**Adoption of New Accounting Standards**

The Company has adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) effective April 1, 2009.

(a) Goodwill and intangible assets

CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets* and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts* is amended to clarify criteria for recognition of an asset. CICA Handbook Section 3450, *Research and Development Costs* is replaced by guidance in Section 3064. EIC 27 *Revenues and Expenditures During the Pre-Operating Period* is no longer applicable for entities that have adopted Section 3064. A number of other EIC abstracts have consequential amendments. CICA Accounting Guideline 11 *Enterprises in the Development Stage* is also amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under CICA 3064. The adoption of this Section had no impact on the Company's consolidated financial statements.

(b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, provides guidance on how to take into account an entity's own credit risk and the credit risk of the counter party in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The application of this EIC had no effect on the Company's consolidated financial statements.

(c) Business combinations

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. These new standards have been early adopted by the Company for the year ended March 31, 2010.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years

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beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

### **Recent Accounting Pronouncements**

#### (a) International Financial Reporting Standards -

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 accountable companies to use IFRS, replacing Canadian GAAP. This 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 March 31, 2011.

The Company has completed a preliminary assessment of how each IFRS standard impacts the financial statements. It was initially determined that the area of accounting difference that will likely be impacted based on existing IFRS will be property and equipment (measurement and valuation), stock-based compensation and the initial adoption of IFRS under the provisions of IFRS 1 "First-Time Adoption of IFRS". In addition, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

#### (b) Multiple deliverable revenue arrangements -

EIC-175 replaces EIC-142 *Revenue arrangements with multiple deliverables* for all revenue arrangements with multiple deliverables entered into or materially modified in the first annual arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirement to use the relative selling price method of allocating arrangement consideration, the use of the residual method is prohibited. Early adoption of this abstract is permitted. An entity can continue to apply EIC-142 until EIC-175 becomes effective. The Company expects to adopt this standard on April 1, 2011.

### **Financial Instruments and Other Instruments**

The risk exposure is summarized as follows:

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(a) Credit risk -

Credit risk is the risk of loss resulting from the failure of a customer or counterparty to meet its contractual obligations to the Company. The carrying amount of financial assets represents the Company's estimate of maximum credit exposure.

The Company's credit risk is primarily attributable to its cash balances and accounts receivable. The Company's cash equivalents are held in Guaranteed Investment Certificates and are held on deposit with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.

The Company sells the majority of its products and services to government agencies responsible for emergency management within their jurisdictions, as well as to companies in industries responsible for their own emergency management programs, such as oil and gas, utilities, and forestry, located in Canada, United States, and the Middle East. The Company's exposure to credit risk associated with non-payment by customers of this nature to be limited, but may be affected by conditions or occurrences within its industry and the global marketplace. The Company closely monitors extensions of credit and performs ongoing credit evaluations of its customers' financial condition to manage its credit risk exposure. The Company believes it maintains adequate provisions for potential credit losses. The amounts disclosed in the consolidated balance sheet are net of allowances for doubtful accounts, estimated by the Company's management, based on prior experience and an assessment of current financial conditions of customers, as well as the general economic environment. As of March 31, 2010, accounts receivable are net of an allowance for doubtful accounts of \$Nil (2009 - \$11,241).

The Company is exposed to concentrations of credit risk. As at March 31, 2010, the Company's largest customer group accounted for 32% of consolidated revenues, but the amounts due from the group are collected on an individual basis. As at March 31, 2010, the maximum credit risk exposure for accounts receivable corresponds to the carrying value.

(b) Liquidity risk -

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at March 31, 2010, the Company had cash and cash equivalents of \$115,564 and expects to collect receivables of \$1,683,289 to settle payables of \$696,168 that are considered short term and settled within 30 days and other current liabilities. Other current liabilities consist amounts due to a related party of \$87,357 which is non-interest bearing and has no fixed terms of repayment, credit facilities of \$507,792 and deferred revenue of \$536,643. The Company's primary source of liquidity is its cash reserves. The Company also maintains certain credit

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facilities to support short term funding of operations and trade finance. The Company believes it has sufficient available funds to meet immediate operating cash requirements. However, the Company is also actively trying to raise additional funds through equity financings, debt financings and other means in order to meet its obligations to March 2011.

(c) Market risk -

(i) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are at present low, however the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Foreign currency risk -

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada, the United States and Abu Dhabi and holds cash in Canadian, United States and United Arab Emirates currencies in line with forecasted expenditures.

As at March 31, 2010, the denomination of the Company's financial instruments were as follows:

	US	Canadian	AED	Total
Cash	\$ 4,658	\$ 97,881	\$ 13,025	\$ 115,564
Accounts receivable	56,563	350,944	1,275,782	1,683,289
Accounts payable and Accrued liabilities	50,188	425,145	220,865	696,198

At March 31, 2010, the Company had no hedging agreements in place with respect to foreign exchange rates.

**Outstanding Share Data**

As of the date of this MD&A, the Company has authorized and issued capital stock and options and warrants outstanding as follows:

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1. Authorized and Issued Capital Stock

- a) Authorized - Unlimited common shares without par value.
- b) Issued

As at July 22, 2010, there were 17,210,147 common shares issued and outstanding.

2. Options and Warrants Outstanding

- a) Stock options outstanding as at July 22, 2010 are as follows:

Number of Shares	Exercise Price	Expiry Date
540,000	\$0.34	July 8, 2017
400,000	\$0.56	May 2, 2013
15,000	\$1.12	May 13, 2013
50,000	\$0.95	September 2, 2013
365,000	\$0.50	January 21, 2014
85,000	\$0.50	April 13, 2019
1,035,000	\$0.18	May 19, 2020
2,490,000		

- b) Warrants outstanding as at July 22, 2010 are as follows:

Number of Shares	Exercise Price	Expiry Date
615,000	\$0.75	December 7, 2012
1,220,325	\$0.40	June 18, 2013
400,000	\$0.50	November 5, 2012
2,235,325		

## **Other Requirements**

### **Controls and Procedures**

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

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TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Sources of Information:

Additional disclosures pertaining to the Company's financial statements, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).