

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

**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three months period ended June 30, 2008

Dated August 22, 2008

# **EmerGeo Solutions Worldwide Inc.**

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Management Discussion and Analysis  
For the three months ended June 30, 2008

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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 August 22, 2008 and should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the three months period ended June 30, 2008 and as at and for the year ended March 31, 2008 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 Issuer. The Issuer 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 Issuer 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. These 6,300,000 common shares are subject to a Value Security Escrow Agreement and will be released from escrow over a period of three years in accordance with the policies of the Exchange. The release of the escrowed shares and finder’s fee shares is subject to certain assumptions being met as set forth in a valuation report of Evans & Evans dated January 29, 2008. These assumptions include no undisclosed contingent liabilities and no significant variation between the management-prepared financial statements upon which the valuation was based and final audited financial statements.

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The Company changed its year end from June 30 to March 31 to match the year end of EmerGeo.

EmerGeo is a British Columbia corporation which develops, integrates, sells and supports emergency management, environment health and safety, and security software solutions and services. 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 mapping software is an OpenGIS (Geographic Information System)-based system designed to streamline information flows among first responders in the field and decision makers in emergency operation centres ("EOC's"), while also providing an interoperability capability between diverse GIS and Enterprise software environments facilitating local, state and federal coordination. EmerGeo's software also provides an optional interface to Augusta, Georgia based ESi Acquisition, Inc.'s WebEOC crisis management software, giving users an ability to visualize their incident, resources and other data on EmerGeo's maps.

**Discussion of Operations and Financial Condition**

Three months ended June 30, 2008 compared with the three months ended June 30, 2007

Revenue

Revenue increased by \$2,675 from \$192,643 for the three months period ended June 30, 2007 to \$195,318 for the three months period ended June 30, 2008. The increase in revenue is primarily attributable to consulting services revenue, offset by a decrease in software license revenues as a result of certain license installations being deferred until the following quarter.

Expenses

Sales and marketing expenses increased by \$114,713 from \$9,536 for the three months period ended June 30, 2007 to \$124,249 for the three months period ended June 30, 2008. The increase in sales and marketing expenses is a result of the Company's corporate rebranding efforts, and increased global promotional activities.

Research and development expenses decreased by \$1,986 from \$5,925 for the three months period ended June 30, 2007 to \$3,939 for the three months period ended June 30, 2008. The decrease in research and development expenses is mainly attributable to the decrease of consultant fees and related expenses.

Wages and management fees increased by \$128,662 from \$46,603 for the three months ended June 30, 2007 to \$121,437 for the period ended June 30, 2008. The increase is mainly attributable to increased headcount in EmerGeo's operations, sales and marketing, and administration functions.

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Stock-based compensation of \$369,813 was recorded during the period ended June 30, 2008, as a result of stock options granted to the Company's employees and consultants to purchase 600,000 shares at \$0.56 per share for a period of five years expiring May 2, 2013, 100,000 shares at \$1.12 per share for a period of two years expiring May 13, 2010 and 15,000 shares at \$1.12 per share for a period of five years expiring May 13, 2013. No such expense was recorded during the three months period ended June 30, 2007.

General and administrative expenses increased by \$107,329 from \$14,108 for the three months period ended June 30, 2007 to \$121,437 for the three months period ended June 30, 2008 as a result of increased corporate activity, and increased infrastructure costs relating to expanded operations and increased staffing levels.

### Other Item

Other items in the three months period ended June 30, 2008 comprised of foreign exchange loss of 1,745 and interest and other income of \$5,028. No other item was recorded during the three months period ended June 30, 2007.

### Net Loss

During the three months period ended June 30, 2008, the Company reported a net loss of \$673,960 as compared to a net income of \$11,547 during the three months period ended June 30, 2007. The increase in net loss was mainly due to the inclusion of stock-based compensation expense mentioned above, as well as increases in sales and marketing, and general and administrative expenses from expanded operations.

### Summary of Quarterly Results

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

	Jun-30- 08	Mar-31- 08	Dec-31- 07	Sep-30- 07	Jun-30- 07	Mar-31- 07	Dec-31- 06	Sep-30- 06
Total Revenue	195,318	339,050	301,253	129,428	192,643	111,544	65,792	59,432
Net loss	(673,960)	9,448	8,901	(14,292)	11,547	(27,169)	(25,958)	7,090
Per share basis								
Basic	(0.056)	0.047	0.045	(0.071)	0.058	(0.136)	(0.130)	0.035
Diluted	(0.056)	0.047	0.045	(0.071)	0.058	(0.136)	(0.130)	0.035

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During the eight fiscal quarters beginning September 30, 2006, there have been no significant trends or variations over quarters. The significant increases in losses during the quarter ended June 30, 2008 is primarily attributable to compensation expense arising from increased activity of the Company, retaining consultants and granting of stock options.

**Liquidity & Capital Resources**

The Company reported working capital of \$2,176,456 at June 30, 2008 compared to working capital deficit of \$210,148 at March 31, 2008, representing an increase in working capital by \$2,386,607. As at June 30, 2008, the Company had net cash on hand of \$2,420,410 compared to \$28,939 at March 31, 2008. Net cash on hand increased by \$2,391,471, resulting mainly from inflows of net cash of \$489,612 from the legal parent upon reverse acquisition of EmerGeo, \$2,115,423 from a private placement of 2,440,650 shares at a price of \$1.00 per unit and exercise of 25,000 warrants, \$79,800 proceeds from loans and \$200 due to related parties offset by outflows of cash for operations of \$182,911, investing activities of \$39,203, and paid back credit facilities of \$71,450.

Current assets excluding cash at June 30, 2008 increased by \$104,721, from \$449,291 at March 31, 2008 to \$554,012 at June 30, 2008. The increase in current assets is attributable to increases in accounts receivable by \$64,681, prepaid expenses and deposits by \$40,091 partially offset by a decrease in future income tax assets by \$51.

Current liabilities at June 30, 2008 increased by \$109,585 from \$688,378 as at March 31, 2008 to \$797,963 at June 30, 2008. The increase in current liabilities resulted from increases in deferred revenue of \$192,911, accounts payable of \$40,767, shareholder loans of \$47,157 and due to related parties of \$200 offset by repayments of credit facilities of \$71,450 and other loans of \$100,000.

As at June 30, 2008, the Company's primary source of liquidity included cash of \$2,420,410 and trades accounts receivables of \$445,581.

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 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.

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During the three months ended June 30, 2008, the Company raised \$2,440,650 from a non-brokered private placement of 2,440,650 units priced at \$1.00 per unit.

The other sources of funds potentially available to the Company as of the date of this MD&A are the exercise of outstanding 1,148,000 share purchase warrants at \$0.28 per share which expire June 29, 2009, 663,000 share purchase warrants at \$0.75 per share which expire December 7, 2009, 1,220,325 share purchase warrants at \$1.50 per share which expire June 19, 2010, 423,750 vested stock options at \$0.34 per share which expire July 8, 2012, 225,000 vested stock options at \$0.56 per share which expire May 2, 2013, 37,500 vested stock options at \$1.12 per share which expire May 13, 2010 and 5,625 vested stock options at \$1.12 per share which expire May 13, 2013. However, there can be no assurance, whatsoever, that any of these outstanding exercisable securities will be exercised.

Financing for the Company's operations was also funded from various share issuances through non-brokered private placements and exercises of options and warrants. Although the Company believes that its cash and cash from improved operations going forward will be sufficient to satisfy its immediate and future operating cash requirements, the Company may 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, 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. The Company has not generated any significant revenues since inception and its overall success will be affected by its current and future business activities.

### **Transactions with Related Parties**

During the three months ended June 30, 2008, the Company paid or accrued \$9,003 (2007 - \$nil) for legal fees and \$12,771 (2007 - \$6,540) for share issue costs to a company controlled by an officer of the Company.

During the three months ended June 30, 2008, the Company paid or accrued \$18,000 (2007 - \$nil) for professional fees to a company controlled by an officer of the Company. Included in prepaid expenses are professional fees of \$6,000 paid to a company controlled by an officer of the Company.

During the three months ended June 30, 2008, the Company paid or accrued \$60,000 (2007 - \$42,000) for wages to two directors and officers of the Company.

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During the three months ended June 30, 2008, the Company paid or accrued \$13,142 (2007 - \$1,574) for accounting fees to a company controlled by a spouse of a director and officer of the Company.

As at June 30, 2008, included in accounts payable and accrued liabilities is \$11,603 (March 31, 2008 - \$nil) due to a company owned by an officer of the Company.

The amounts due to Lookfar Solutions Ltd. and EMIS Ltd., companies controlled by directors and officers of the Company, totalling \$15,894 as at June 30, 2008 (March 31, 2008 - \$15,694) are repayable on demand, non-interest bearing and have no specific assets pledged as security.

The amounts due to shareholders of \$87,157 as at June 30, 2008 (March 31, 2008 - \$40,000) are 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**

Not applicable.

**Subsequent Events**

None.

**Changes in Accounting Policies including Initial Adoption**

Effective July 1, 2007, the Company adopted the provisions of the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standards:

1. Comprehensive Income (Section 1530):

This section describes standards for reporting and disclosing comprehensive income, its components and related changes in equity. Comprehensive income includes net income as well as changes in equity during a period from transactions and events from non-owner sources, such as unrealized gains or losses on available-for-sale financial instruments. Adopting this standard has no impact on the Company’s financial statements for the period ended March 31, 2008.

2. Financial Instruments - Recognition and Measurement (Section 3855):

This section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standard, all financial instruments will be

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classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. The Company has implemented the following classifications:

- Cash is classified as held-for-trading. These financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings (loss) in the period in which they arise.
- Accounts receivable and advances to Emergeo Solutions, Inc. are classified as loans and receivables. After initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, and due to shareholder are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

### 3. Financial Instruments - Disclosure and Presentation (Section 3861):

CICA Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value.

### 4. Hedging (Section 3865):

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Effective April 1, 2008, the Company has adopted the Canadian Institute of Chartered Accountants three new accounting standards: Section 1535 – Capital Disclosures, Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation.

#### 1. Section 1535 specifies disclosure of:

- an entity's objectives, policies and processes for managing capital;
- quantitative data about what the entity regards as capital; and,
- whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance.

Disclosure for Section 1535 is provided in Note 11 to the Company's consolidated financial statements for the three months ended June 30, 2008.

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2. Section 3862 and 3863 replace the existing Section 3861, Financial Instruments – Disclosure and Presentation. The new sections revise and enhance the disclosure requirements, and carry forward unchanged existing presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages risks. The Company's financial instruments are presented in Note 10 to the Company's consolidated financial statements for the three months ended June 30, 2008.

The initial adoption of Sections 3862 and 3863 had no impact on the Company's consolidated results of financial position.

**Financial Instruments and Other Instruments**

1. Fair value of financial instruments -

- i) Determinable:

Cash is recorded at fair market value. The carrying amounts of accounts receivable, income tax recoverable, accounts payable and accrued liabilities and credit facilities approximate their fair value due to the short term to maturity of these items.

- ii) Indeterminable

The loan payable, shareholder loans and amounts due to related companies are non-interest bearing and have no specific terms of repayment. Accordingly, the fair value of these advances which is indeterminable may not approximate their carrying value.

2. Credit risk -

Credit risk reflects the risk that the Company may be unable to recover contractual receivables. The Company does not have significant receivables and no one account represents a concentration of credit risk. The Company employs established credit approval practices to mitigate this risk.

3. Foreign currency risk -

A significant portion of the sales and purchases are in foreign currencies. This may cause a significant fluctuation in income from changes in the exchange rates during the year as transactions are not hedged through derivatives.

4. Interest rate risk -

The Company is exposed to interest rate risk as the obligations under Credit Facilities will accrue interest at the rate equal to Royal Bank prime rate plus 1.8%.

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**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:

1. Authorized and Issued Capital Stock

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

As at August 22, 2008, there were 16,710,647 common shares issued and outstanding.

2. Options and Warrants Outstanding

- a) Stock options outstanding as at August 22, 2008 are as follows:

Number of Shares	Exercise Price	Expiry Date
565,000	\$0.34	July 8, 2012
600,000	\$0.56	May 2, 2013
100,000	\$1.12	May 13, 2010
15,000	\$1.12	May 13, 2013
1,280,000		

- b) Warrants outstanding as at August 22, 2008 are as follows:

Number of Shares	Exercise Price	Expiry Date
1,148,000	\$0.28	June 29, 2009
663,000	\$0.75	December 7, 2009
1,220,325	\$1.50	June 19, 2010
3,031,325		

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### **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.

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 Multinational Instrument MI 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 MI 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).