

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

**MANAGEMENT DISCUSSION AND ANALYSIS**

Year ended March 31, 2009 and 2008

Dated July 22, 2009

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

Management Discussion and Analysis  
Years ended March 31, 2009 and 2008

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This Management Discussion and Analysis (“MD&A”) of EmerGeo Solutions Worldwide Inc. (formerly Kavalmedia Services Ltd.) (“EmerGeo” or the “Company”) has been prepared by management as of July 22, 2009 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, 2009 and 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 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.

In October 2008, the Company has commenced trading its common shares on the Frankfurt Stock Exchange under the symbol EMI.

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 Value Security Escrow Agreement and will be released from escrow over a period of three years in accordance with the policies of the Exchange.

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

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 streamline information flows 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 is an integration platform that provides optional interfaces to world leading crisis management, alert/notification, and simulation solutions. EmerGeo leverages sales globally through partnership's 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 Version 4 software has been released and market acceptance has been positive. These product advancements are raising the price point, expanding use, and increasing the scalability of our solutions.

**Selected Annual Information**

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	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
	\$	\$	\$
Revenues	2,082,336	962,375	290,159
Net income (loss)	(1,920,687)	15,604	(61,309)
Loss per share, basic and diluted	(0.12)	-	-
Total assets	2,387,516	664,870	255,689
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 new 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 from multiple systems commonly used in response to emergencies: crisis information management software, such as WebEOC® and ETeam™, 9-1-1 dispatch systems, 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. A unique Fusion Service 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™ web portal to create a custom dashboard. More information can be obtained from the Company's website at <http://www.emergeo.com>.

##### **EmerGeo Teams with AccuWeather, Inc.**

The Company signed an agreement to incorporate weather data and forecast information from AccuWeather, Inc., the world's leading multimedia weather information source, into its software and consulting services. EmerGeo's crisis management software, now integrated with AccuWeather's weather data, allows disaster response personnel to have full situational awareness for the impact of weather on emergency operations. Real-time updates fed into EmerGeo software help organizations assist their employees, the public and other businesses in a timely and effective manner.

EmerGeo's clients will be able to subscribe to customized weather packages including:

- Current weather conditions from over 15,000 weather sensors;
- Real-time severe weather alerts and warnings for the United State and Canada; and,
- Detailed, highly localized forecast data (e.g. hurricanes, storm surge, rainfall, wind gusts, etc.).

#### **Operations Update**

During the year, the Company announced that it has established a joint venture subsidiary with a local United Arab Emirates (UAE) partner, Atlas Telecom. The company, EmerGeo Software Solutions Middle East LLC (EmerGeo Middle East), will sell and support EmerGeo's products and provide a complete range of emergency management services across the Middle East.

Investment in our market sector, public safety and homeland security, is expected to continue to grow despite the current upheaval in World markets. EmerGeo's technology helps responders protect people,

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property and the environment against the adverse consequences of emergencies, terrorism and disasters – investment is only going to continue to grow in this industry sector. The Company has invested in systems, hired key staff and secured strategic contracts to position itself for exponential growth.

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

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

- a. Secured a key C\$555,000 contract for the provision of emergency management consulting services to design and implement sustainable and comprehensive Emergency Management Plans and Systems in the region.
- b. Entered into a joint venture agreement with Atlas Telecommunication Establishment (“Atlas”) of Abu Dhabi to form a limited liability company called EmerGeo Software Solutions Middle East LLC.
- c. Four sizeable multi-year, multi-million dollar proposals have been submitted for the supply of EmerGeo’s emergency management software, consulting services and online learning in new state of the art emergency operation centers in the Middle East. Awards are expected in 2009.
- d. Additionally, large proposals have been submitted for EmerGeo software, systems integration, training/simulation and consulting services in the region.

### **2. USA**

- a. Successful completion of a substantial implementation of WebEOC<sup>®</sup> and EmerGeo software at the largest gas and utility company in the USA. The software will support hundreds of users throughout Southern California. Project extensions and expansion are expected for 2009.
- b. Successful implementation of EmerGeo software in a US State’s Emergency Operation Centre. This is the third US State Agency to buy EmerGeo products and services and we are rapidly becoming a recognized name in the USA, as we initiate a new sales program focused on the US Homeland Security market.

### **3. Canada**

- a. Under a 5 year contract, the Company is developing and hosting online EOC and Emergency Response courses for 6000 employees and contractors working at the largest oil
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sands production facility in the world with capacity to produce over 15% of Canada's oil requirements. The Company is also providing Incident Command System (ICS) training to key emergency response staff and management.

- b. The Company was recently contracted to develop the *Emergency Response Awareness* online course at a global energy company with over 3500 employees. The course will be delivered to locations in Canada, US, North Sea, UK, Norway, Yemen, West Africa and Colombia.
  - c. The Company will assist one of the largest air based transport medicine programs operating in North America with the development and implementation of their Emergency Management programs and Incident Management System (IMS). EMG has also been contracted to deliver both online and instructor based training to over 300 employees.
  - d. The Company has worked closely with a large pipeline company over the past 9 months to install EmerGeo software and update/harmonize all emergency response programs, processes and systems for the entire line.
4. Australia – EmerGeo software has been 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. Additional sales to state and local agencies are expected as a result of this pilot and recent large wildfire events in Australia.
  5. 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. In a recent program to support the Canadian Department of National Defence, CAE's Professional Services team and EmerGeo worked closely to develop a planning and training environment for multi-agency response to security threats, which integrated CAE's simulation technology with its EmerGeo mapping software. Together, EmerGeo and CAE are pursuing several opportunities around the globe.
  6. New EmerGeo Version 4 Software has been released. Initial feedback from our customers and prospects is very encouraging. Version 4 comes with a higher price than earlier versions but gives customers the advantage of a new web mapping interface, improved interfaces to world leading software such as WebEOC<sup>®</sup>, Google Earth<sup>®</sup> and ESRI ArcGIS<sup>®</sup>, enterprise scalability, and a platform for new hosted web applications and services planned for release in 2009.

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

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

#### Sales

Sales for the year were \$2,082,336, up \$1,119,961 from \$962,375 in prior fiscal year. The increase in revenues was attributable to all revenue streams as a result of increased software sales as well as increased consulting revenues, including revenues from the Middle East. The Company has hired additional consultants to meet the increasing demands for the delivery of consulting services, software installation, eLearning and training, support and maintenance, and other related services.

#### Gross Profit and Margin

The Company's gross profit was \$539,212 during the year compared to gross profit of \$494,584 in prior fiscal year. Overall margins decreased from 51% to 26% for the year ended March 31, 2009.

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 prior fiscal year, as well as due to additional costs incurred from the hiring additional consultants to meet the increasing demands for software implementations, consulting services, support and maintenance, and other related services in North America and the Middle East.

#### Expenses

General and administrative expenses increased by \$938,228 from \$217,903 in the prior fiscal year to \$1,156,131 for the current year as a result of increased corporate activity and increased infrastructure costs relating to expanded operations and increased staffing levels. In addition, the Company recorded various professional and regulatory expenses related to the acquisition of EmerGeo. The Company also hired an investor relations firm with a monthly fee of \$7,500. The contract with the IR firm was terminated in November 2008. Various public company expenses and administration costs were also incurred related to continuous disclosure requirements, regulatory compliance and filings and financial reporting. The Company being a private company in the prior period did not incur these types of expenses.

Stock-based compensation of \$378,201 was recorded during the year ended March 31, 2009, 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 which were subsequently cancelled, 15,000 shares at \$1.12 per share for a period of five years expiring May 13, 2013, 50,000 shares at \$0.95 per share for a period of five years expiring September 2, 2013 and 415,000 shares at \$0.50 per share for a period of five years expiring January 21, 2014. No such expense was recorded during the year ended March 31, 2008.

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Sales and marketing expenses increased by \$461,330 from \$125,190 in prior fiscal year to \$586,520 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 the Middle East.

Research and development expenses increased by \$171,337 from \$119,974 for prior fiscal year to \$291,311 for the current year. The increase in research and development expenses was mainly as a result of additional hiring to expand the Company's software development team.

Net Loss

During the year ended March 31, 2009, the Company reported a net loss of \$1,920,687 as compared to a net income of \$15,604 during the year ended March 31, 2008. The increase in net loss of \$1,936,291 was mainly due to stock-based compensation expense recorded during the year as well as increases in general and administrative expenses, sales and marketing and research and development from expanded operations as mentioned above.

**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- 09	Dec-31- 08	Sep-30- 08	Jun-30- 08	Mar-31- 08	Dec-31- 07	Sep-30- 07	Jun-30- 07
Revenues	927,187	441,244	518,587	195,318	339,050	301,253	129,428	192,643
Net income (loss)	(463,460)	(340,177)	(443,090)	(673,960)	9,448	8,901	(14,292)	11,547
Per share basis:								
Basic and diluted earnings (loss)	(0.03)	(0.02)	(0.03)	(0.04)	0.00	0.00	0.00	0.00

During the eight fiscal quarters beginning June 30, 2007, 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.

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### **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 loans from related parties. The Company's main source of liquidity consisted of cash and cash equivalents. As at March 31, 2009, the Company had cash and cash equivalents of \$734,583 with no outstanding debt compared with cash and cash equivalents of \$28,939 and borrowings of \$115,550 at March 31, 2008.

The Company's cash and cash equivalents at March 31, 2009 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

The Company reported a working capital of \$855,313 at March 31, 2009 compared to a working capital deficiency of \$210,148 at March 31, 2008, representing an increase in working capital by \$1,065,461. Net cash on hand increased by \$705,644, resulting mainly from inflows of net cash of \$489,612 from the legal parent upon reverse acquisition of EmerGeo, \$2,271,573 from a private placement of 2,440,650 shares at a price of \$1.00 per unit and exercise of 50,000 warrants, \$80,000 proceeds from loans offset by outflows of cash for operations of \$1,647,063, purchase of equipment of \$136,918, investment in intangible assets of \$220,316, repayment of \$15,694 due to related parties and repayment of credit facilities of \$115,550.

Current assets excluding cash at March 31, 2009 increased by \$756,553, from \$449,291 at March 31, 2008 to \$1,205,844 at March 31, 2009. The increase in current assets was attributable to increases in accounts receivable by \$649,099, prepaid expenses and deposits by \$116,766 and offset by the decrease in future income tax assets of \$9,312.

Current liabilities at March 31, 2009 increased by \$396,736 from \$688,378 as at March 31, 2008 to \$1,085,114 at March 31, 2009. The increase in current liabilities resulted from the increase in accounts payable of \$309,252, deferred revenue of \$271,371, shareholder loans of \$31,663 offset by the repayment of credit facilities of \$115,550 and other loans of \$100,000.

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, 2009, the line of credit has a balance of \$Nil (March 31, 2008 - \$115,550).

During the year ended March 31, 2009, the Company raised \$2,440,650 from a non-brokered private placement of 2,440,650 units priced at \$1.00 per unit. Finders' fees of \$180,852 and share issuance costs of \$25,725 were paid related to this financing.

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Subsequent to the year end, 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 outstanding 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, 565,000 vested stock options at \$0.34 per share which expire July 8, 2017, 412,500 vested stock options at \$0.56 per share which expire May 2, 2013, 11,250 vested stock options at \$1.12 per share which expire May 13, 2013, 31,250 vested stock options at \$0.95 per share which expire September 2, 2013, 182,500 vested stock options at \$0.50 per share which expire January 21, 2014 and 31,875 vested stock options at \$0.50 per share which expire April 13, 2019. However, there can be no assurance, whatsoever, that any of these outstanding exercisable securities will be exercised.

The Company believes it currently has sufficient working capital on hand to meet its expected capital requirements for fiscal 2010. Although the Company believes that its cash and cash equivalents 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.

### **Transactions with Related Parties**

During the year ended March 31, 2009, the Company paid or accrued \$66,000 (2008 - \$nil) for professional fees to a company controlled by an officer of the Company.

During the year ended March 31, 2009, the Company paid or accrued \$240,000 (2008 - \$186,000) for wages to two directors and officers of the Company.

During the year ended March 31, 2009, the Company paid or accrued \$40,479 (2008 - \$14,259) for accounting fees to a company controlled by a spouse of a director and officer of the Company.

During the year ended March 31, 2009, the Company paid or accrued \$28,220 (2008 - \$nil) for legal fees and \$12,771 (2008 - \$nil) for share issue costs to a company controlled by an officer of the Company.

During the year ended March 31, 2009, the Company paid or accrued \$55,000 (2008 - \$nil) for office, rent and administration to a company having an officer in common.

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As at March 31, 2009, included in accounts payable and accrued liabilities was \$2,354 (2008 - \$nil) due to a company owned by an officer of the Company.

As at March 31, 2009, the amounts due to shareholders, directors, officers and related companies of directors and officers of \$87,357 (2008 - \$55,694) 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, 2009 were \$927,187, up \$588,136 from \$339,051 in the same period of prior fiscal year. The increase in revenues was attributable to all revenue streams as a result of increased software sales as well as increased consulting revenues, including revenues from the Middle East. The Company has hired additional consultants to meet the increasing demands for the delivery of consulting services, software installation, eLearning and training, support and maintenance, and other related services.

#### **Gross Profit and Margin**

The Company's gross profit was \$257,120 during the three months ended March 31, 2009 compared to gross profit of \$203,908 in the same period of prior fiscal year. Overall margins decreased from 60% to 27%.

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 2008, as well as due to additional costs incurred from the hiring additional consultants to meet the increasing demands for software implementations, consulting services, support and maintenance, and other related services in North America and the Middle East.

#### **Expenses**

General and administrative expenses increased by \$165,805 from \$119,066 for the three months ended March 31, 2008 to \$284,871 for the three months ended March 31, 2009 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. In addition, the Company recorded various professional and regulatory expenses related to the acquisition of EmerGeo. Various public company expenses and administration costs were also incurred related to continuous disclosure requirements, regulatory compliance and filings and

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financial reporting. The Company being a private company in the prior period did not incur these types of expenses.

Stock-based compensation of \$83,830 was recorded during the three months ended March 31, 2009, 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 which are subsequently cancelled, 15,000 shares at \$1.12 per share for a period of five years expiring May 13, 2013, 50,000 shares at \$0.95 per share for a period of five years expiring September 2, 2013 and 415,000 shares at \$0.50 per share for a period of five years expiring in January 21, 2014. No such expense was recorded during the three months ended March 31, 2008.

Sales and marketing expenses increased by \$142,814 from \$45,947 for the three months ended March 31, 2008 to \$188,761 for the three months ended March 31, 2009. 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 \$109,161 from \$18,795 for the three months ended March 31, 2008 to \$127,956 for the three months ended March 31, 2009. 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.

### Net Loss

During the three months period ended March 31, 2009, the Company reported a net loss of \$463,460 as compared to a net income of \$9,448 during the three months ended March 31, 2008. The increase in net loss of \$472,908 was mainly due to stock-based compensation expense recorded during the period for stock options granted to employees and consultants as well as increases in general and administrative expenses, sales and marketing and research and development from expanded operations as mentioned above.

### Subsequent Events

The following events occurred subsequent to March 31, 2009:

- (a) On November 16, 2008, the Company entered into a joint venture agreement with Atlas Telecommunication Establishment ("Atlas") of Abu Dhabi to form a limited liability company called EmerGeo Software Solutions Middle East LLC ("EmerGeo Middle East"). Net profits from EmerGeo Middle East shall be distributed as to 80% to the Company and 20% to Atlas. EmerGeo Middle East was granted its trading license to begin operations in the United Arab Emirates on May 3, 2009.
- (b) The Company extended the term of 565,000 stock options granted to directors, officers, employees and consultants of the Company from July 8, 2012 to July 8, 2017.

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- (c) On April 13, 2009, the Company granted incentive stock options to directors, employees and consultants to purchase 85,000 common shares at an exercise price of \$0.50 per share expiring April 13, 2019.
- (d) 499,500 common shares were issued pursuant to the exercise of share purchase warrants for gross proceeds of \$139,860.

### **Changes in Accounting Policies including Initial Adoption**

The Company has adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA) effective April 1, 2008.

- (i) Handbook Section 3862, Financial Instrument - Disclosures, and Section 3863, Financial Instruments - Presentation, replace Section 3861, Financial Instruments - Disclosure and Presentation, revising its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 12 to these consolidated financial statements.
- (ii) Handbook Section 1535, Capital Disclosures, specifies the disclosure of (A) an entity's objectives, policies and processes for managing capital; (B) quantitative data about what the entity regards as capital; (C) whether the entity has complied with any externally imposed capital requirements; and (D) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 13 to these consolidated financial statements.
- (iii) Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to require management of the Company to assess at each balance sheet date and, if necessary, disclose any uncertainty surrounding the ability of the Company to continue as a going concern.

### **Future Accounting Policies**

- (i) 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

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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. These changes are effective for the Company commencing April 1, 2009. The Company is currently assessing the financial reporting impact of these standards.

### (ii) 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 will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

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 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. It is equivalent to the corresponding provisions of IFRS IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

### (iii) 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 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, 2010. In July 2008, the Canadian Securities Administrators announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. We are currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

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**Financial Instruments and Other Instruments**

The risk exposure is summarized as follows:

(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, 2009, accounts receivable are net of an allowance for doubtful accounts of \$11,241 (2008 - \$9,338).

(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, 2009, the Company had in cash and cash equivalents a balance of \$734,583 to settle current liabilities of \$617,187 which mainly consist of accounts payable that are considered short term and settled within 30 days and amounts due to a related party which is non-interest bearing and no fixed terms of repayment. The Company's primary source of liquidity is its cash reserves. The Company also maintains certain credit facilities to support short term funding of operations and trade finance. The Company believes it has sufficient available funds to meet current and foreseeable financial requirements. The repayment schedule for our long-term credit facilities is included in note 6.

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(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 and the United States and holds cash in Canadian and United States currencies in line with forecasted expenditures. With all other factors held constant, a 10% point increase in the value of the Canadian dollar relative to the US dollar during the year ended March 31, 2009 would have reduced sales by approximately \$73,250 and net income by approximately \$36,000.

As at March 31, 2009, the denomination of the Company's financial instruments were as follows:

	US	Canadian	Other	Total
Cash	\$ 113,090	\$ 580,321	\$ 41,172	\$ 734,583
Accounts receivable	153,224	888,017	-	1,041,241
Accounts payable and Accrued liabilities	187,654	365,178	13,148	565,980

At March 31, 2009, the Company had no hedging agreements in place with respect to foreign exchange rates.

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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 July 22 2009, there were 17,210,147 common shares issued and outstanding.

2. Options and Warrants Outstanding
  - a) Stock options outstanding as at July 22, 2009 are as follows:

Number of Shares	Exercise Price	Expiry Date
565,000	\$0.34	July 8, 2012
550,000	\$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
1,630,000		

- b) Warrants outstanding as at July 22, 2009 are as follows:

Number of Shares	Exercise Price	Expiry Date
663,000	\$0.75	December 7, 2009
1,220,325	\$1.50	June 19, 2010
1,883,325		

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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 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).