

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

**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three and six months ended September 30, 2008

Dated November 27, 2008

# **EmerGeo Solutions Worldwide Inc.**

## **(Formerly Kavalmedia Services Ltd.)**

Management Discussion and Analysis  
For the three and six months ended September 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 November 27, 2008 and should be read in conjunction with the consolidated financial statements and related notes thereto of the Company, as at and for six months ended September 30, 2008 and the audited consolidated financial statements and related notes thereto 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.

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. The release of the escrowed shares and finder’s fee shares is subject to certain assumptions

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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.

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

EmerGeo, a British Columbia corporation, is a leading provider of Emergency Management GIS Mapping software and consulting services. It 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.

EmerGeo recently announced the availability of EmerGeo Version 4 with a new web browser interface. This version of EmerGeo is the result of a collaborative effort between ESRI and EmerGeo. After extensive development, customers will be pleased to learn that ESRI technology is being leveraged to enable interoperability and we are embracing it with ***EmerGeo Navigator™***.

Key features of Version 4 include:

- Ability to seamlessly bring together data from multiple sources;
- Tight integration with ESRI based infrastructures;
- Enhanced browser based interface for rapid scaling and simple drawing/plotting/publishing; and,
- Continued support for EmerGeo's mobile Smart Client for field operations and resiliency.

Version 4 contains the following major enhancements:

- Embedded ArcGIS® Server technology for seamless integration of data from multiple ESRI sources:
  - ArcGIS Server map services;
  - ArcIMS;
  - ArcSDE®;
  - Geodatabases;
  - Web Map Services (WMS);
  - Locator Services, and,
  - Virtual Earth® through ArcGIS Online.

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- Enhanced browser functionality:
  - Full support for drawing and editing EmerGeo symbols that are shared and published in the same way as in the Smart Client; and,
  - Improved panning and zooming tools.
- Fully scalable Web Map Services (WMS) server for interoperability with other OpenGIS<sup>®</sup> compliant systems.
- Powerful technology platform for future expansion including:
  - Migration of tools that are currently available in the Smart Client to the Navigator browser including Hazard Models (ERG2008 plotter and ALOHA<sup>®</sup> interface);
  - Historical tracking;
  - Mobile mapping applications; and,
  - ArcMap extensions.

### **Operations and Corporate Updates**

During the period, the Company announced that a strategic contract has been won in the Middle East. To support this contract and grow business in the Gulf region, EmerGeo Solutions' will be establishing a joint venture subsidiary with a local United Arab Emirates (UAE) partner and designing and implementing sustainable and comprehensive Emergency Management Plans and Systems. Dean Monterey, EmerGeo's Director of Emergency Management Services, will apply his 30 years of practical international experience in emergency management as a responder, manager and senior business and government advisor.

The contract will involve the provision of the complete range of emergency management services including conducting Hazard, Risk and Vulnerability Assessments, developing emergency response and recovery plans, training, business resilience and implementing strategic programs.

The Company continues to grow internationally, advance its technology and build strategic alliances. Over the past several months we have all experienced difficult market conditions around the globe. This market turmoil, however, has not affected EMG. Management has made exceptional progress on executing the Company mandated business plan and achieving projected sales targets.

Investment in our market sector, public safety and homeland security, continues to grow significantly despite the current upheaval in World markets. EMG's technology helps responders protect people, property and the environment against the adverse consequences of emergencies, terrorism and disasters – investment is only going to continue to grow in this area. The Company has invested in systems and hired key staff in Sales/Marketing, Product Development, Customer Support and Finance/Administration to build a strong foundation for growth.

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Below is a brief summary of a few key business activities that EMG has successfully cultivated since April 2008:

1. United Arab Emirates
  - a. Secured a key C\$555,000 contract in October 2008 for the provision of emergency management consulting services to design and implement sustainable and comprehensive Emergency Management Plans and Systems in the region. The contracting organization has requested to remain un-named.
  - b. Established EmerGeo Solutions Middle East Inc. with an office and staff in Abu Dhabi.
  - c. Two sizeable multi-year, multi-million dollar proposals have been submitted for the supply of EMG emergency management software and consulting services in new state of the art emergency operation centers in the region. Awards are expected in early 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 has been deployed in production as of August 2008 and will support hundreds of users throughout Southern California. Project extensions and expansion are planned for 2009.

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

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- b. EMG 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. EMG 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. EMG 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 planned for FY2008/2009.
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 3-D mapping software. Together, EmerGeo and CAE are pursuing several opportunities around the globe.
6. New EmerGeo Software Version Release – Version 4 of our software was just released this quarter and initial feedback from our customers and prospects is very exciting. 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 planned for 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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### **Appointments**

The Company appointed of Bryce Mitchell to the position of Vice President, Sales & Marketing. Mr. Mitchell will be responsible for overseeing the activities of the sales & marketing departments, increasing market share and working cooperatively with the company's global partners and resellers to expand the business world wide. His role includes strategic programs and corporate sales development.

Mr. Mitchell brings more than 20 years of International Sales, Marketing and Operational experience to EmerGeo. He joins our team, after a successful role in Strategic Sales and Sales Operations, Asia Pacific Theatre, at Cisco Systems (Pte.) Inc. – Singapore. Prior to Cisco Systems he was one of the co- founders of an International Risk Management software company and Executive VP of Sales and Marketing.

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

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

#### Revenues

Revenues were derived from the sale of situation awareness technology software, consulting services (related to the implementation of the software, emergency management services, knowledge solutions, and environment health and safety services) as well maintenance and support related to software sales.

Revenues for the period were \$518,587, up \$389,159 from \$129,428 during the same period in 2007. The increase in revenues was attributable to all revenue streams as a result of increased software sales in the previous quarter as well as increased consulting revenues. The Company hired additional consultants to meet the increasing demands for set up, support, maintenance and other related services.

#### Gross Profit and Margin

The Company's gross profit was \$166,160 during the period which was up from \$72,549 during the same period in 2007. Overall margins decreased from 56% during the three months ended September 30, 2007 to 32% during the three months ended September 30, 2008.

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 2007.

#### Operating Expenses

General and administrative expenses increased by \$315,552 from \$30,989 for the three months period ended September 30, 2007 to \$346,541 for the three months period ended September 30, 2008. The increase

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resulted from the establishment of a new office in Vancouver, hiring of additional personnel in finance and administration to support the Company's overall expansion of operations, as well as recruiting fees related certain hires made during the quarter. In addition, the Company recorded various professional and regulatory expenses related to the acquisition of EmerGeo. The Company also hired an investor relations ("IR") firm with a monthly fee of \$7,500. The contract with the IR firm was terminated subsequent to the period end. 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 \$52,681 was recorded during the three months ended September 30, 2008, as a result of stock options granted to the Company's employees and consultants to purchase 50,000 shares at \$0.95 per share for a period of five years expiring September 2, 2013. No such expense was recorded during the three months period ended September 30, 2007.

Sales and marketing expenses increased by \$122,161 from \$20,951 for the three months period ended September 30, 2007 to \$143,112 for the three months period ended September 30, 2008. 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 \$26,753 from \$32,846 for the three months period ended September 30, 2007 to \$59,599 for the three months period ended September 30, 2008. The increase in research and development expenses was mainly attributable to the increase in wages and consulting fees as result of the Company's hiring of additional consultants and staff.

### Net Loss

During the three months period ended September 30, 2008, the Company reported a net loss of \$443,090 as compared to a net loss of \$14,292 during the three months period ended September 30, 2007. The increase in net loss of \$428,798 resulted from 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.

### Six months ended September 30, 2008 compared with the six months ended September 30, 2007

### Revenues

Revenues for the period were \$713,905, up \$391,834 from \$322,071 during the same period in 2007. The increase in revenues was attributable to all revenue streams as a result of increased software sales as well as

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increased consulting revenues. The Company hired additional consultants to meet the increasing demands for set up, support, maintenance and other related services.

### Gross Profit and Margin

The Company's gross profit was \$197,017 during the period which was up from \$157,699 during the same period in 2007. Overall margins decreased from 49% for the three months ended September 30, 2007 to 28% for the six months ended September 2008.

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 2007.

### Expenses

General and administrative expenses increased by \$462,941 from \$56,106 for the six months period ended September 30, 2007 to \$519,047 for the six months period ended September 30, 2008 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. 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 \$422,494 was recorded during the six months ended September 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, 15,000 shares at \$1.12 per share for a period of five years expiring May 13, 2013 and 50,000 shares at \$0.95 per share for a period of five years expiring September 2, 2013. No such expense was recorded during the six months period ended September 30, 2007.

Sales and marketing expenses increased by \$231,071 from \$41,495 for the six months period ended September 30, 2007 to \$272,566 for the six months period ended September 30, 2008. 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 \$34,952 from \$60,788 for the six months period ended September 30, 2007 to \$95,740 for the six months period ended September 30, 2008. The increase in research and development expenses was mainly attributable to the increase in wages and consulting fees as a result of additional hiring of consultants and staff.

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### Net Loss

During the six months period ended September 30, 2008, the Company reported a net loss of \$1,117,050 as compared to a net loss of \$2,745 during the six months period ended September 30, 2007. The increase in net loss of \$1,114,305 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.

### Summary of Quarterly Results

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

	Sep-30-08	Jun-30-08	Mar-31-08	Dec-31-07	Sep-30-07	Jun-30-07	Mar-31-07	Dec-31-06
Total Revenue	518,587	195,318	339,050	301,253	129,428	192,643	111,544	65,792
Net loss	(443,090)	(673,960)	9,448	8,901	(14,292)	11,547	(27,169)	(25,958)
Per share basis								
Basic	(0.03)	(0.06)	0.05	0.05	(0.07)	0.06	(0.14)	(0.13)
Diluted	(0.03)	(0.06)	0.05	0.05	(0.07)	0.06	(0.14)	(0.13)

During the eight fiscal quarters beginning December 31, 2006, 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 loans from related parties. The Company's main source of liquidity consisted of cash and cash equivalents. As at September 30, 2008, the Company had cash and cash equivalents of \$1,747,878 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 September 30, 2008 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

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The Company reported working capital of \$1,815,253 at September 30, 2008 compared to working capital deficit of \$210,148 at March 31, 2008, representing an increase in working capital by \$2,025,401. Net cash on hand increased by \$1,718,939, 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 \$811,712, purchase of equipment of \$62,176, intangible assets of \$117,114, repayment of \$15,694 due to related parties and repayment of credit facilities of \$115,550.

Current assets excluding cash at September 30, 2008 increased by \$164,885, from \$449,291 at March 31, 2008 to \$614,176 at September 30, 2008. The increase in current assets was attributable to increases in accounts receivable by \$77,546, prepaid expenses and deposits by \$87,091 and future income tax assets by \$248.

Current liabilities at September 30, 2008 decreased by \$141,577 from \$688,378 as at March 31, 2008 to \$546,801 at September 30, 2008. The decrease in current liabilities resulted from repayment of credit facilities of \$115,550 and other loans of \$100,000 and decrease in due to related parties of \$15,694. The decrease was offset by the increases in deferred revenue of \$36,647, accounts payable of \$5,663, shareholder loans of \$47,357.

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. As at September 30, 2008, the line of credit has a balance of \$Nil (March 31, 2008 - \$115,550).

During the six months ended September 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. Finders' fees of \$180,852 was paid related to this financing.

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, 5,625 vested stock options at \$1.12 per share which expire May 13, 2013 and 12,500 vested stock options at \$0.95 per share which expire September 2, 2013. However, there can be no assurance, whatsoever, that any of these outstanding exercisable securities will be exercised.

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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 six months ended September 30, 2008, the Company paid or accrued \$36,000 (2007 - \$nil) for professional fees to a company controlled by an officer of the Company.

During the six months ended September 30, 2008, the Company paid or accrued \$120,000 (2007 - \$84,000) for wages to two directors and officers of the Company.

During the six months ended September 30, 2008, the Company paid or accrued \$31,300 (2007 - \$3,784) for accounting fees to a company controlled by a spouse of a director and officer of the Company.

During the six months ended September 30, 2008, the Company paid or accrued \$18,985 (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 six months ended September 30, 2008, the Company paid or accrued \$30,000 (2007 - \$nil) for office, rent and administration to a company having an officer in common.

As at September 30, 2008, included in accounts payable and accrued liabilities was \$4,389 (March 31, 2008 - \$nil) due to a company owned by an officer of the Company.

As at September 30, 2008, the amounts due to shareholders, directors, officers and related companies of \$87,357 (March 31, 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.

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### **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 September 30, 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 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.

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### 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 10 to the Company's consolidated financial statements for the six months ended September 30, 2008.

#### 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 9 to the Company's consolidated financial statements for the six months ended September 30, 2008.

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

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### **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 November 27, 2008, there were 16,710,647 common shares issued and outstanding.

2. Options and Warrants Outstanding

- a) Stock options outstanding as at November 27, 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
50,000	\$0.95	September 2, 2013
1,330,000		

- b) Warrants outstanding as at November 27, 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		

### **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

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

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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).