

# **EmerGeo Solutions Worldwide Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Three and Six Months Ended September 30, 2011**

**Dated November 29, 2011**

# **EmerGeo Solutions Worldwide Inc.**

Management's Discussion and Analysis  
Three and six months ended September 30, 2011

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This Management's Discussion and Analysis ("MD&A") of EmerGeo Solutions Worldwide Inc. (the "Company" or "EmerGeo") has been prepared by management as of November 29, 2011 and should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the three and six months ended September 30, 2011 and 2010, which were prepared in accordance with IFRS and audited consolidated financial statements and related notes thereto as at and for the years ended March 31, 2011 and 2010, which were prepared in accordance with Canadian Generally Accepted Accounting principles. The Company is presently a "Venture Issuer", as defined in NI 51-102.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

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**

EmerGeo Solutions Worldwide Inc. was incorporated on October 16, 1997 under the laws of British Columbia. The Company is in the business of developing, integrating, selling and supporting emergency management and security software solutions and services. EmerGeo's own crisis management and mapping software suite provides reliable, open-standards based software solutions that help government and industry to mitigate against, prepare for, respond to and recover from potential and actual incidents, natural disasters, acts of terrorism or other major events.

The Company is a leading provider of Emergency Management software. It sells to emergency management and homeland 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 efficiently log, fuse, manage and communicate information among responders and provide tools to support life safety, property protection and environmental conservation. Its open standards technology enables seamless integration with GIS

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(mapping), security (camera), resource tracking (GPS), alerting and other technologies to provide a Common Operating Picture (COP) across multiple departments and agencies. The software provides an integration platform called Fusionpoint™ with optional interfaces to world leading crisis management, alert/notification, and disaster simulation solutions.

We continue to focus our research & development on our core competencies - emergency management information systems and geographic information systems (GIS) software development. The software has been used successfully during major emergencies and events around the world, including security operations for the 2010 Olympic Games (Vancouver), Formula1 (F1) motor racing and FIFA soccer events in Abu Dhabi. These product advancements and proven track record are raising the price point and profit margins, expanding use, and increasing the scalability of our solutions.

### **Operations and Corporate Updates**

#### **Product Updates**

##### **EmerGeo Fusionpoint™**

EmerGeo's latest crisis management software product called EmerGeo Fusionpoint™ has positioned the Company to capture larger integration business directly and forge alliances with large system integration companies engaged in the global emergency management and security market. EmerGeo Fusionpoint™ has performed very well since initial deployment in October 2009 (Q3 of Fiscal 2010), including use at the Vancouver Emergency Operation Centre during the 2010 Olympics for incident monitoring and automated alerting.

Building on the Company's disaster-proven technology and experience, EmerGeo Fusionpoint™ provides a unified view of information through consumption of data from multiple systems commonly used in response to emergencies: crisis information management software, 9-1-1 dispatch systems, electronic (GIS) mapping, security cameras and other systems. EmerGeo Fusionpoint™ uses the latest open web standards and SOA (Service Oriented Architecture) to enable integration with a wide variety of systems. EmerGeo's unique and proprietary Fusion Service technology, and Enterprise Service Bus with "Intelligent Connectors", addresses a common need in the emergency management market – improving multi-agency communication and coordination during disaster and major events (or 'Interoperability').

The market has also asked for a simple web-based 'dashboard' solution. Customers simply drag-and-drop their application windows ("widgets") into the EmerGeo Fusionpoint™ dashboard to create a custom emergency management web portal to monitor critical information in real-time and log/track incidents, response activities and resources. Role-based security and filters combined with EmerGeo's proprietary geo-spatial workflow engine are used to ensure the right level of information is displayed for each user and real-time updates are distributed across multiple Fusionpoint™ servers to enable multi-agency

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interoperability. More information can be obtained from the Company's website at <http://www.emergeo.com>.

### **Operations Update**

The Company's software continues to be proven-effective during major emergencies, disasters and planned events. EmerGeo Software was implemented within a few weeks and used by the Province of Manitoba for the Red River Flood event. The software was also used in the United Arab Emirates by the Abu Dhabi Police in their emergency and crisis management work, including security operations at the inaugural *Yas Island Formula 1*<sup>®</sup> Race and FIFA Cup soccer event. Several customers have used the software to track the global outbreak of the H1N1 Virus, develop plans for this and other hazards, manage security operations for the 2010 Olympic Games<sup>®</sup> and run exercise to enhance their preparedness. Importantly, the success of these implementations has opened large integration project opportunities for EmerGeo software and services throughout the UAE, USA, India, Europe and China.

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

EmerGeo's technology helps responders to do more with less and leverage their investments in existing systems by fusing data from those systems using the Fusionpoint<sup>™</sup> portal. We are helping our customers bring essential data together and turn it into actionable intelligence. The Company continues to invest in sales and marketing, research and development and has a renewed focus on leverage several strategic partnerships with global systems integrators to escalate global growth.

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

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

- a. EmerGeo software was purchased by a leading national organization responsible for managing and coordinating all efforts related to crisis and emergency. It is being used regularly and integration and expansion plans for the system are underway.
- b. The Company has entered into its first contract with SecureTech to implement its EmerGeo Fusionpoint<sup>™</sup> and integrated mapping software. The software will be used by an important government client in the Gulf Cooperation Council (GCC) region for emergency response operations.

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- c. EmerGeo's Fusionpoint™ software has been installed at ADNOC headquarters' crisis management centre - the national oil company in Abu Dhabi.
- d. Several sizeable multi-year, multi-million dollar proposals have been submitted for the supply of EmerGeo's emergency management software in new state of the art emergency operation and simulation centres across the Middle East.

### **2. North America**

- a. EmerGeo has successfully implemented its software in several Provincial and local government operation centres as well as large nuclear and utility organizations.
- b. EmerGeo software (Fusionpoint) was released and successfully used by the City of Vancouver during the 2010 Olympic Winter Games and this has opened doors to future use at Olympic Games and other major international sporting and security events around the world.

### **3. Australia**

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

### **4. Strategic Alliances**

Several strategic alliances have been formed to leverage our sales and technology around the world. The Company has also secured Reseller Agreements with partners in the USA, Europe, India, the Middle East and the Caribbean.

EmerGeo will continue to build, integrate and implement its best in class emergency management information system solutions that are proven effective at helping save lives, securing property and protecting the environment – around the Globe.

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

Three months ended September 30, 2011 compared with three months ended September 30, 2010

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### Sales

Sales for the three months ended September 30, 2011 were \$173,362, increased \$13,226 from \$160,136 in the same period of prior fiscal year. The increase in revenues was mainly attributable to increased consulting revenues in North America.

### Gross Profit (loss) and Margin

The Company's gross profit was \$42,890 during the period compared to gross loss of \$41,285 in same period of prior fiscal year. Overall margins increased from -26% to 25% for the three months ended September 30, 2011. Gross margins increased due to improved utilization of existing implementation resources, lower salary costs due to workforce reductions, as well as other cost control measures.

### Expenses

General and administrative expenses decreased by \$81,947 from \$246,153 for the three months ended September 30, 2010 to \$164,206 for the three months ended September 30, 2011, as a result of decreased corporate activity, lower salary costs due to workforce reductions, and other cost reduction measures compared to the prior year.

Share-based payments of \$10,328 (2010 - \$27,020) was recorded during the three months ended September 30, 2011 which represents the estimated fair value of stock options vested during the period.

Sales and marketing decreased by \$35,207 from \$85,448 for the three months ended September 30, 2010 to \$50,241 for the three months ended September 30, 2011. The decrease in sales and marketing expenses was mainly attributable to decreases in travel expenses, trade shows and conferences expenses, and lower salary costs due to workforce reductions.

Research and development decreased by \$69,441 from \$130,644 for the three months ended September 30, 2010 to \$61,203 for the three months ended September 30, 2011. The decrease in research and development was mainly as a result of lower salary costs due to workforce reductions compared to the prior period.

### Net Loss

During the three months ended September 30, 2011, the Company reported a net loss of \$382,782 as compared to a net loss of \$562,188 during the three months ended September 30, 2010. The decrease in net loss of \$179,406 was mainly due to increase in gross profit and decreases in sales and marketing, research and development, general and administrative expenses and stock-based compensation offset by increase in interest expenses.

Six months ended September 30, 2011 compared with six months ended September 30, 2010

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### Sales

Sales for the six months ended September 30, 2011 were \$418,384, increased \$55,257 from \$363,127 in the same period of prior fiscal year. The increase in revenues was mainly attributable to increased software license sales and consulting revenues in North America.

### Gross Profit (loss) and Margin

The Company's gross profit was \$140,064 during the period compared to gross loss of \$181,403 in same period of prior fiscal year. Overall margins increased from -50% to 33% for the six months ended September 30, 2011. Gross margins increased due to improved utilization of existing implementation resources, lower salary costs due to workforce reductions, as well as other cost control measures.

### Expenses

General and administrative expenses decreased by \$217,210 from \$558,845 for the six months ended September 30, 2010 to \$341,635 for the six months ended September 30, 2011, as a result of decreased corporate activity, lower salary costs due to workforce reductions, and other cost reduction measures compared to the prior year.

Share-based payments of \$31,508 (2010 - \$87,018) was recorded during the six months ended September 30, 2011 which represents the estimated fair value of stock options vested during the period.

Sales and marketing decreased by \$144,561 from \$297,525 for the six months ended September 30, 2010 to \$152,964 for the six months ended September 30, 2011. The decrease in sales and marketing expenses was mainly attributable to decreases in travel expenses, trade shows and conferences expenses, and lower salary costs due to workforce reductions.

Research and development decreased by \$149,208 from \$304,995 for the six months ended September 30, 2010 to \$155,787 for the six months ended September 30, 2011. The decrease in research and development was mainly as a result of reduced use of third party consultants for R&D activities, and lower salary costs due to workforce reductions compared to the prior period.

### Net Loss

During the six months ended September 30, 2011, the Company reported a net loss of \$723,422 as compared to a net loss of \$1,450,428 during the six months ended September 30, 2010. The decrease in net loss of \$727,006 was mainly due to increase in gross profit and decreases in sales and marketing, research and development, general and administrative expenses and stock-based compensation offset by increase in interest expenses.

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## Summary of Quarterly Results

Selected financial information from continuing operations for the most recent eight quarters (unaudited). The Q1 and Q2 2012 and four preceding quarter results presented in the table below were prepared in accordance with IFRS. The two quarters ending with Q4 2010 were prepared in accordance with Canadian GAAP.

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

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	Sep-30- 11	Jun-30- 11	Mar-31- 11	Dec-31- 10	Sep-30- 10	Jun-30- 10	Mar-31- 10	Dec-31- 09
Revenues	173,362	245,022	474,642	366,630	160,136	202,991	593,413	820,464
Net income (loss)	(382,782)	(340,640)	(315,706)	(263,918)	(562,188)	(888,240)	(632,510)	(462,049)
Per share basis:								
Basic and diluted earnings (loss)	(0.02)	(0.02)	(0.02)	(0.01)	(0.03)	(0.05)	(0.04)	(0.03)

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There are no general trends regarding the Company's quarterly results. The major factor which may cause a material variation in net loss on a quarterly basis is the grant of stock options due to the resulting share-based compensation charges which may be significant when they arise. This may be seen in the quarters ended June 30, 2010, December 31, 2010 and June 30, 2011. The variation in revenues is dependent upon the success of the Company in selling products which will vary with market conditions and the customers contracting process, and is therefore difficult to predict.

## Liquidity & Capital Resources

The Company has financed its operations and met its capital requirements primarily through the sale of capital stock, use of its borrowing facilities and debt financings. The Company's main source of liquidity consisted of cash and cash equivalents. As at September 30, 2011, the Company had cash and cash equivalents of \$25,346 representing a decrease of \$128,941 compared with cash and cash equivalents of \$154,287 at March 31, 2011. The decrease mainly resulted from an outflow of cash for operations of \$493,941 offset by inflows of cash of \$365,000 from loans.

The Company's cash and cash equivalents at September 30, 2011 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

The Company reported working capital deficit of \$1,971,884 at September 30, 2011 compared to working capital deficit of \$1,312,851 at March 31, 2011, representing a decrease in working capital by \$659,033.

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Current assets excluding cash at September 30, 2011 decreased by \$116,077 from \$383,809 at March 31, 2011 to \$267,732 at September 30, 2011. The decrease in current assets was attributable to decreases in accounts receivable of \$101,884 and prepaid expenses and deposits of \$14,193.

Current liabilities at September 30, 2011 increased by \$414,015 from \$1,850,947 as at March 31, 2011 to \$2,264,962 at September 30, 2011. The increase in current liabilities resulted from increases in accounts payable of \$63,403, credit facilities of \$133,424, convertible loan note of \$2,949 and loans payable of \$265,000 offset by a decrease in deferred revenue of \$50,761.

The Company, through its subsidiaries, has credit facilities and short term and long term loans and as at September 30, 2011 aggregate outstanding principal loans amounted to \$2,084,362, as follows:

1. EmerGeo Solutions has an operating line of credit with the Royal Bank of Canada, with a maximum limit of \$150,000 which bears interest at prime plus 1.8%. As at September 30, 2011, the line of credit had a balance of \$100,000 (March 31, 2011 - \$Nil; April 1, 2010 - \$Nil). The credit facility is 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. During the six months ended September 30, 2011, the Company accrued \$1,400 (2010 - \$nil) in interest on this loan.
2. EmerGeo Middle East has been granted a US\$500,000 line of credit facility by its joint venture partner, Atlas Communications Establishment. The loan has an initial term of one year and bears interest at 4.5% over and above Emirates interbank offered rate per annum compounded daily. The loan and accrued interest were not repaid on the prescribed settlement date of September 30, 2010. Per terms of the loan agreement, interest of an additional 2% will be charged on the net outstanding balance. The Company is currently in negotiations with the lender to modify the repayment terms of this facility. The loan is secured by a guarantee from the Company. As at September 30, 2011, the line of credit had a balance of \$519,362 (March 31, 2011 - \$485,938) and has accrued interest owing of \$41,955 (March 31, 2011 - \$27,554).
3. The Company has a \$1,000,000 loan pursuant to a loan agreement dated November 5, 2009. The loan has a term of three years and bears interest at a rate of 16% per annum. The loan is secured by General Security Agreements from the Company and the Company's wholly-owned subsidiary, EmerGeo Solutions Inc., and by a guarantee from EmerGeo Solutions Inc. ("Security Agreements"). As additional consideration for the loan, the Company issued 400,000 share purchase warrants to the lender. Each share purchase warrant entitles the lender to acquire a common share of the Company at a price of \$0.50 per share for a period of three years expiring November 5, 2012. During the six months ended September 30, 2011, the Company paid or accrued interest of \$79,998 (2010 - \$79,998) on this loan.

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As at September 30, 2011, the Company was in default of its interest payments of \$66,667 and subsequent to September 30, 2011, unpaid interests amounted to \$80,000. In addition, the Company is not in compliant with the terms of the loan agreement to maintain a minimum cash balance of \$75,000 at all times during the term of the loan.

4. On September 28, 2010, the Company issued a convertible loan note ("Note") for proceeds of \$200,000. The Note bears interest at a rate of 16% per annum, payable monthly and is secured by Security Agreements. The Note is payable on demand and in case of a default, the principal and final interest amount will accrue interest at a rate of 25% per annum. The lender may, at its option, convert the principal amount of the Note into common shares of the Company at a price of \$0.25 per share.

During the six months ended September 30, 2011, the Company paid or accrued interest of \$16,000 on this loan. As at September 30, 2011, the Company was in default of its interest payments of \$13,333 and subsequent to September 30, 2011, unpaid interests amounted to \$16,000.

5. On July 6, 2011, the Company obtained loans totaling \$265,000 from four lenders ("Lenders), of which, \$15,000 was from an officer of the Company. The Company's wholly-owned subsidiary, EmerGeo Solutions Inc., issued unsecured promissory notes for an aggregate principal amount of \$265,000 (the "Notes") to the Lenders. The Notes have a term of one year and bear interest at 12% per annum, compounded annually and payable annually in arrears. The Company issued an aggregate of 471,111 common shares as bonus shares to the Lenders in consideration for the loans at a fair value of \$70,667, of which, 26,667 common shares at a fair value of \$4,000 were issued to an officer of the Company. During the six months ended September 30, 2011, the Company accrued interest of 7,950 (2010 - \$nil) on this loan

The other sources of funds potentially available to the Company as of the date of this MD&A are through the exercise of outstanding share purchase warrants and vested stock options. See "*Outstanding Share Data*". However, there can be no assurance, whatsoever, that any of these outstanding exercisable securities will be exercised, particularly if the trading price of the common shares on the TSX Venture Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company is still actively trying to raise additional funds through equity financings, debt financings and other means in order to meet its obligations to March 31, 2012. Subsequent to September 30, 2011, the Company entered into an arrangement whereby it may potentially raise \$3,800,000. See "*Subsequent Event*".

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. To the extent the Company is unable to cover its ongoing cash requirements through operations, the Company expects to raise additional financing to cover any shortfall. There can be no assurance that such financing and profitability will occur in the

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amounts and with terms expected. In the event that cash flow from operations, if any, together with the proceeds from any future financings are insufficient to meet the Company's current operating expenses, the Company will be required to curtail operations and there would be significant uncertainty whether the Company would continue as a going concern, and realize its assets and settle its liabilities and commitments in the normal course of business.

### Transactions with Related Parties

The Company has entered into certain transactions with related parties during the six months ended September 30, 2011. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three months ended September 30,		Six months ended September 30,	
		2011	2010	2011	2010
		\$	\$	\$	\$
Max Pinsky Personal Law Corporation, a company controlled by an officer of the Company	Legal fees	15,206	6,004	16,773	11,403
Remstar Resources Ltd., a company with a common officer	Office, rent and administration <sup>(1)</sup>	6,000	6,000	12,000	14,500
Ultra Lithium Inc., a company with a common officer	Rent <sup>(2)</sup>	-	-	-	1,000
Tony M. Ricci Inc., a company controlled by a former officer of the Company	Management fees	-	7,450	-	13,450
Rick MacDonald, CEO of the Company	Consulting fees	18,000	4,500	46,000	4,500
Tim Webb, CTO and a director of the Company	Salaries	29,800	(2,167)	65,200	44,500
Mike Morrow, president of the Company	Salaries	43,218	(2,167)	73,218	44,500
Allan Lamour, a director of the Company	Consulting fees	-	38,003	-	84,670
Gary Craig, CFO of the Company	Salaries	25,000	-	50,000	-

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- (1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by a common officer.
- (2) The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by a common officer.

As at September 30, 2011, the credit facility of \$519,362 (March 31, 2011 - \$485,938) and accrued interest of \$41,955 (March 31, 2011 - \$27,554) due to a shareholder and joint venture partner were not repaid on the prescribed settlement date of September 30, 2010. The loan has an initial term of one year and bears interest at 4.5% over and above Emirates interbank offered rate per annum compounded daily. Per terms of the loan agreement, interest of an additional 2% will be charged on the net outstanding balance. The Company is currently in negotiations with the lender to modify the repayment terms of this facility. The loan is secured by a guarantee from the Company.

During the six months ended September 30, 2011, the Company received a \$15,000 loan pursuant to an unsecured promissory note from Rick MacDonald, CEO of the Company. The note has a term of one year and bears interest at 12% per annum, compounded annually and payable annually in arrears. In consideration for the loan, the Company issued 26,667 bonus shares to Mr. MacDonald.

As at September 30, 2011, included in accounts payable and accrued liabilities was \$92,632 (March 31, 2011 - \$87,020) due to directors, officers, related companies of directors and officers and to companies having a director and officer in common.

As at September 30, 2011, the amount due to a company owned by a former director of \$87,357 (March 31, 2011 - \$87,357) was 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.

### **Subsequent Event**

On November 15, 2011, the Company has arranged and agreed to a series of transactions (the "Transactions") by which SAI InfoSystems (India) Ltd. ("SIS") will, subject to regulatory and shareholder approval and satisfactory due diligence, acquire 85% of the issued and outstanding common shares of the Company (the "Shares") on an undiluted basis, and up to 80% of the Shares on a fully diluted basis. The Transactions will consist of i) a non-brokered private placement of 63,333,333 Shares at a price of \$0.06 per Share for gross proceeds of \$3,800,000.00, and ii) the purchase by SIS of an aggregate of 5,572,728 Shares (the "Vendors' Shares") from four shareholders of the Company for \$0.0359 per share. The Company will use the net proceeds of the private placement to fund ongoing development and marketing of its Fusionpoint™ web-based crisis information management system and software.

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The securities issued pursuant to the private placement will be subject to a four month statutory hold period.

SIS is an arm's length unlisted public limited company based in Ahmedabad, India. Founded in 1992 by Mr. Sunil Kakkad, an electronics and communication engineer and entrepreneur, SIS is an information and communication technology company and systems integrator. It has direct operations in 17 Indian states and more than 100 support centres. It also has offices and operations in the United States. For further information about SIS, please refer to its website [www.saicare.com](http://www.saicare.com).

If the Transactions are completed, SIS will become a "control person" pursuant to applicable securities laws and the policies of the TSX Venture Exchange ("TSXV"). A "control person" is defined as any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company, except where there is evidence showing that the holder of those securities does not materially affect the control of the Company.

TSXV Policy 4.1 requires that disinterested shareholders approve a private placement if the number of shares to be issued may result in, or is part of a transaction that may result in, the creation of a new control person. The Company intends to seek disinterested shareholder approval of the Transactions at its annual and special general meeting scheduled to be held on December 21, 2011.

The private placement will be completed in two tranches. In the first tranche, SIS will subscribe for 3,333,333 Shares at a price of \$0.06 per Share for gross proceeds of \$200,000. As a result, SIS will acquire approximately 12.7% of the Company Shares on a fully diluted basis and Mr. Kakkad will be appointed to the Company's board of directors. Completion of the first tranche is subject to TSXV acceptance but does not require disinterested shareholder approval. In the subsequent tranche, assuming all required approvals are obtained and subject to satisfactory due diligence, SIS will subscribe for 60,000,000 Shares at a price of \$0.06 per Share for gross proceeds of \$3,600,000.00. Concurrently with completion of the second tranche, SIS will complete the acquisition of the Vendors' Shares.

A finder's fee is payable on the private placement.

On November 24, 2011 the Company announced that in connection with the transactions with SAI Infosystems (India) Ltd. ("SIS") described above, the Company has been unable to obtain the necessary regulatory approvals to proceed with the transaction as agreed. Despite extensive and ongoing negotiations, no alternative agreement has yet been reached with SIS, and there can be no assurance that any agreement will be reached in the near term or at all.

### **Critical Accounting Estimates**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and

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contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

### **Change in Accounting Policies**

#### **Adoption of International Financial Reporting Standards ("IFRS")**

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" and IFRS 1, "First time adoption of International Financial Reporting Standards ("IFRS")" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended March 31, 2011 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The basis of presentation of these condensed interim financial statements is different to that of the Company's most recent annual financial statements due to the first time adoption of IFRS.

The impact of the conversion from GAAP to IFRS is explained in note 18 of the condensed interim financial statements of the Company. Note 18 includes reconciliations of the Company's condensed interim consolidated statements of financial position and statements of loss and comprehensive loss for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited condensed interim financial statements in accordance with IFRS.

#### **Recent Accounting Pronouncements**

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, IFRS 10, Consolidated Financial Statements and IFRS 13, Fair Value Measurement. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

- (a) Amendments to IFRS 7, Financial Instruments: Disclosures

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IFRS 7 Financial Instruments: Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments are effective for annual periods beginning on or after July 1, 2011.

(b) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

(c) IFRS 10, Consolidated Financial Statements

IFRS 10 Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013.

(d) IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement ("IFRS 13") was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

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

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, credit facilities, due to related parties, long-term debt and convertible loan note. The fair values of these financial instruments approximate their carrying values because of their short term nature and /or the existence of market related interest rates on the instruments. Fair values were obtained by Level 1 hierarchy inputs.

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These financial instruments are classified in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss -

Financial assets are classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. The Company's cash and cash equivalents are classified as fair value through profit and loss for the period. They are initially and subsequently measured at fair value with changes in carrying value being included in profit or loss for the period.

(ii) Available-for-sale financial assets -

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are initially and subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

(iii) Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently measured on an amortized cost basis using the effective interest method, less any impairment losses. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(iv) Financial liabilities at amortized cost -

Financial liabilities at amortized cost are non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss. The Company's credit facilities, accounts payable and accrued liabilities, due to related parties and convertible loan notes are classified as financial liabilities at amortized cost and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

(v) Compound financial instruments -

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

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. As at September 30, 2011, 63% of the Company's accounts receivable were due from two customers. 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.

(b) Liquidity risk -

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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 September 30, 2011, the Company had cash and cash equivalents of \$25,346 and account receivable of \$1,931,167 to settle liabilities of \$632,432 which mainly consist of accounts payable that are considered short term and settled within 30 days. The amount due to a related party is non-interest bearing and has no fixed terms of repayment. Other liabilities consist of credit facilities of which \$619,362 has been drawn at September 30, and deferred revenues of \$503,320. 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 is actively trying to raise additional funds through equity financings, debt financings and other means in order to meet its obligations to March 2012. Subsequent to September 30, 2011, the Company entered into arrangements to raise \$3,800,000. See "*Subsequent Event*".

(c) Market risk -

(i) Interest rate risk -

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

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

(ii) Foreign currency risk -

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

As at September 30, 2011, the denomination of the Company's financial instruments were as follows:

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	US	Canadian	AED	Total
Cash	\$ 5,151	\$ 16,479	\$ 3,716	\$ 25,346
Accounts receivable	67,281	62,951	62,935	193,167
Accounts payable and Accrued liabilities	31,598	431,358	169,476	632,432

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At September 30, 2011, the Company had no hedging agreements in place with respect to foreign exchange rates.

### Outstanding Share Data

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

1. Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued

As at November 29, 2011, there were 17,681,258 common shares issued and outstanding.

2. Options and Warrants Outstanding

a) Stock options outstanding as at November 29, 2011 are as follows:

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Number of shares	Exercise price per share	Expiry date	Exercisable
325,000	\$0.34	July 8, 2017	325,000
15,000	\$1.12	May 13, 2013	15,000
250,000	\$0.50	January 21, 2014	250,000
10,000	\$0.50	April 13, 2019	10,000
745,000	\$0.18	May 19, 2020	745,000
543,500	\$0.25	December 16, 2020	339,688
213,000	\$0.25	May 19, 2021	106,500
2,101,500			1,931,188

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b) Warrants outstanding as at November 29, 2011 are as follows:

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<u>Number of shares</u>	<u>Exercise price per share</u>	<u>Expiry date</u>	<u>Exercisable</u>
615,000	\$0.75	December 7, 2012	615,000
1,220,325	\$0.40	June 18, 2013	1,220,325
400,000	\$0.50	November 5, 2012	400,000
<u>2,235,325</u>			<u>2,235,325</u>

### **Other Requirements**

#### Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of September 30, 2011, the Company's internal control over financial reporting was effective.

#### 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).