

Management's Discussion and Analysis

The following discussion and analysis prepared as at May 25, 2010, explains trends in the Company's financial condition and results of operations for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited consolidated financial statements of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All financial statement figures are reported in Canadian dollars unless explicitly stated otherwise.

CAUTION ON FORWARD-LOOKING INFORMATION

This report contains certain statements that constitute forward-looking information. These forward-looking statements are not descriptive of historical matters and may refer to management's expectation or plans. These statements include, but are not limited to statements concerning our business objectives and plans and future trends in our industry. Inherent in forward-looking statements are risks and uncertainties beyond management's ability to predict or control including risks that may affect VRX's operating or capital plans. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements in this discussion and analysis as well as contained in other components of the annual report. Such statements are based upon a number of assumptions that may prove incorrect, including but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there are no unanticipated fluctuations in interest or exchange rates; that there is no cancellation or unfavourable variation to its current major contracts; that if required, VRX is able to finance future expansion plans on reasonable terms; that there are no terrorism acts that directly impact the global travel industry and that VRX maintains its ongoing relations with its employees and business partners. We caution you that the foregoing list of important factors and assumptions is not exhaustive. You should also carefully consider matters discussed under "Risk and Uncertainties" contained elsewhere in this discussion. VRX undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

OVERVIEW

The Company was incorporated under the Business Corporations Act (Alberta) on December 29, 1993 as 593930 Alberta Ltd. On April 15, 1994 the Company changed its name to Cambridge Minerals Ltd.; further changed to Cambridge Ventures Ltd. on May 21, 1999; and finally to VRX Worldwide Inc. on December 11, 2000.

Since February 2000, the Company's principal business, carried out through its wholly owned subsidiary VRX Studios Inc., is the provision of premium, rich media, content solutions to the global travel industry.

The Company's two primary revenue streams, Licensing and Service Work, have the same client base: online travel intermediaries, hotels and resorts, cruise lines and tourism boards. Under its Service Work offering, VRX creates custom virtual tours, still images, interactive maps and descriptive text of hotels, cruise ships and destinations; Whereas under Licensing, VRX licenses existing virtual tours, still images, interactive maps and descriptive text of hotels, cruise ships and destinations to travel companies. The travel content licensed by VRX to third party travel companies is either owned outright by VRX or VRX has the right to license the content.

For Service Work, VRX charges a one-time service fee. In such cases, a client requests specific content to be created of a specific subject matter. VRX charges the client a portion of the Service fee upfront and the remainder upon delivery. Content created under the Service Work model is usually owned by the client. In contrast, Licensing revenues are derived in large part from archives of rich media content that the Company licenses to third parties. Such licensing arrangements tend to be long lived and generate recurring Licensing revenues. Additional Licensing revenues are generated from hosting and distributing content created for many of the Company's Service Work

clients. The hosting and distribution services that VRX provides utilize the same technology and infrastructure developed by the Company for delivering its Licensing products.

The various products, services and content archives offered by the Company to its clients have been developed over time. The Company's initial offering was its Destination Content archive which was launched in early 2001. This archive includes extensive visual coverage of the top tourist destinations in Mexico, the Caribbean and the United States.

In early 2002, to meet the demand of one of the world's largest online travel agencies, the Company expanded its offering by creating a custom service division. Under a three-year exclusive contract, signed in early 2002, VRX's new division created virtual tours of over 1,800 hotels throughout North America, Europe and Asia.

In early 2005, in order to meet the rapidly growing demand for high quality hotel content of other online travel agencies, VRX decided not to renew its exclusive custom services contract and launched an innovative new program. Under this program, VRX invested in the creation of the hotel content, creating a large archive of hotel content owned by VRX, and then licensed the content to online travel agencies, global distribution systems and tour operators.

In early 2008, VRX launched Athena™, a new service to address the desire of a growing number of hotels to make the virtual tours, still images and interactive maps of their hotels available royalty-free to online travel agencies, global distribution systems and tour operators. Under this program, hotels are also able to own the content of their hotels by covering the production costs and providing VRX an exclusive, worldwide, distribution license.

Whether a hotel is part of VRX's Hotel or Athena™ Program, VRX works with each hotel under its Always Fresh™ program to ensure the content of their hotel is always up-to-date and accurate. The revenue from both programs is captured in Licensing Fees.

Today, VRX licenses destination, hotel and cruise content to the World's leading online travel agencies, global distribution systems and tour operators and works with hospitality brands that represent fourteen thousand hotels around the world.

FINANCIAL CONDITION

RESULTS OF OPERATIONS

Net Profit

The Company's net income for the first quarter of 2010 was \$87,722, a decrease of \$153,385, compared to a net profit of \$241,107 in the same period of the prior year. Basic and diluted earnings per share were \$0.003 in the first quarter of 2010 compared to a basic and diluted earnings per share of \$0.007 in the same period of the prior year.

Revenue and Gross Profit

Total revenues were \$1.08 million for the first quarter of 2010, down 26% from \$1.46 million in the same period of the prior year. The decrease is due to the weakness of the US dollar and a decrease in Service revenue in the comparative quarters.

The average exchange rate for the first quarter ended March 31, 2010 as per the Bank of Canada was 1.040 as compared to 1.245 in the same quarter of the previous year, a decrease of 17%. Stated in US dollars, Licensing revenue actually increased 9%, Service revenue decreased 25%, and total revenue decreased 13%.

Major causes for the decline in Service revenue, quarter over quarter, are: a significantly weaker US dollar in the first quarter of 2010; inclement weather that required the re-scheduling of property shoots into the second quarter of 2010; and, the launch of a large project in the first quarter of 2009 vs. normal business activity in the beginning of 2010.

		Three months ended March 31,			
		2010	2009	Change	
Licensing fees	\$	464,370	\$ 427,413	\$ 36,957	9%
Service fees		564,109	748,578	(184,469)	-25%
Total revenue US	\$	1,028,479	\$ 1,175,991	\$ (147,512)	-13%
Foreign Exchange		48,079	287,389		
Total revenue CD	\$	1,076,558	\$ 1,463,380	\$ (386,822)	-26%

Cost of sales decreased for the first quarter of 2010 to \$351,838, down 39% from \$574,019 in the previous year. Expressed as a percentage of total revenue, cost of sales decreased from 39% in 2009 to 33% in 2010. Production costs within the Cost of sales are variable and have decreased accordingly with the Service revenue.

The Company's gross profit for the first year of the first quarter of 2010 was \$724,720, down 19% from \$889,361 in the previous year. Between these two periods, the company's gross margin increased from 61% to 67%. This increase in the Company's gross margin percentage is the result of the sale of new higher margin service products and the relative mix of Licensing and Service revenue.

		Three months ended March 31,			
		2010	2009	Change	
Total Revenue	\$	1,076,558	\$ 1,463,380	\$ (386,822)	-26%
Cost of Sales		351,838	574,019	(222,181)	-39%
Gross Profit	\$	724,720	\$ 889,361	\$ (164,641)	-19%
Gross Profit %		67%	61%		

Sales, marketing and product promotion

Sales, marketing and product promotion expenses were \$172,209 for the first quarter of 2010, down 21% from \$217,996 in the same period of the prior year. A decrease in headcount and commissions were the primary reasons for the change.

		Three months ended March 31,			
		2010	2009	Change	
Wages, contractors & benefits	\$	91,443	\$ 114,706	-20%	
Commissions		49,737	59,845	-17%	
Other		31,029	43,445	-29%	
	\$	172,209	\$ 217,996	-21%	

Research and Development

Research and Development expenses were \$193,835 for the first quarter of 2010, up 24% from \$156,369 in the previous year. Costs have risen due to planned improvements to the Company's product and service offerings.

	Three months ended March 31,		
	2010	2009	
Wages & benefits	127,663	119,244	7%
Specialized consulting	42,993	20,488	110%
Other	23,179	16,637	39%
	<u>\$ 193,835</u>	<u>\$ 156,369</u>	<u>24%</u>

General and Administrative

General and Administrative expenses were \$200,031 for the first quarter of 2010, up 8% from \$185,450 in the previous year. The increase is primarily due to the prior year's quarter only including salary for the Chief Financial Officer from his hire date of March 5, 2009 and a market adjustment to salaries.

	Three months ended March 31,		
	2010	2009	
Wages, contractors & benefits	\$ 137,247	\$ 108,911	26%
Other	62,784	76,539	-18%
	<u>\$ 200,031</u>	<u>\$ 185,450</u>	<u>8%</u>

Other items

Interest expense including accretion was \$30,912 for the first quarter of 2010, down 34% from \$46,668 in the same period of the prior year. The decrease is due to the inclusion of the remaining accretion expense of \$11,376 for the Sabre debenture in the quarter ended March 31, 2009.

At March 31, 2010, the Company had non-capital losses for Canadian income tax purposes of approximately \$2.9 million which are available for carry forward to reduce future years' taxable income of VRX. Of these income tax losses, \$1,464,000 expire in 2015, \$923,000 expire in 2026, \$340,000 expire in 2027, and \$197,000 expire in 2028. While the Company's recorded losses are available for application against future profits, there is not as yet a sufficient degree of certainty as to the amount or timing of such future profits to enable the Company to record an estimated recovery and corresponding income tax asset on its accounts.

Sequential Results of Operations

	Quarter ending Mar. 31, 2010	Quarter ending Dec. 31, 2009	% change
Licensing fees	\$ 485,606	\$ 483,063	1%
Service fees	590,952	821,361	-28%
Total revenue	1,076,558	1,304,424	-17%
Cost of sales	351,838	578,899	-39%
Gross Profit	724,720	725,525	0%
Gross Profit %	67%	56%	
Marketing, R&D and G&A expenses	566,075	601,748	-6%
EBITDA	\$ 158,645	\$ 123,777	28%

Total revenue in the first quarter of 2010 decreased by 17% as compared to the fourth quarter of 2009. The decrease is due to the seasonal decline in photographic service work during the winter months and inclement weather encountered in the first quarter of 2010 that caused the re-scheduling of property shoots into the second quarter.

While gross profit in the first quarter of 2010, as compared to the fourth quarter of 2009, was flat; the Company's gross margin increased by 11% due to sales of new higher margin service products and the relative mix of Licensing and Service revenue. The Company's gross margin is susceptible to volatility from period to period depending on the mix of revenue between Licensing and Service work, the amount of total revenue, and foreign exchange fluctuations.

Marketing, R&D and G&A expenses decreased by 6% or \$35,673 in the first quarter of 2010 as compared to the fourth quarter of 2009. The decrease is due to reduced use of R&D specialized consulting as several development projects peaked in the fourth quarter of 2009.

Quarterly Disclosure: Eight Quarters Preceding Most Recently Completed Financial Year

The following table sets forth selected unaudited financial information prepared by management of the Company.

	Three months ended			
	Mar. 31, 2010	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009
Licensing fees	\$ 485,606	\$ 483,063	\$ 474,281	\$ 536,306
Service fees	590,952	821,361	1,200,368	1,051,209
Total revenues	1,076,558	1,304,424	1,674,649	1,587,515
Net income	\$ 87,722	\$ 42,673	\$ 343,785	\$ 354,961
Basic and diluted earnings per share	\$ 0.003	\$ 0.001	\$ 0.010	\$ 0.010
	Three months ended			
	Mar. 31, 2009	Dec. 31, 2008	Sep. 30, 2008	Jun. 30, 2008
Licensing fees	\$ 529,081	\$ 500,006	\$ 415,700	\$ 482,555
Service fees	934,299	972,146	501,268	563,159
Total revenues	1,463,380	1,472,152	916,968	1,045,714
Net income (loss)	\$ 241,107	\$ 78,372	\$ (222,950)	\$ (183,731)
Basic and diluted earnings (loss) per share	\$ 0.007	\$ 0.002	\$ (0.006)	\$ (0.005)

Liquidity and Capital Resources

As of March 31, 2010, the Company had working capital of \$55,629 (December 31, 2009 – \$14,428) including cash and cash equivalents of \$264,836 (December 31, 2009 - \$579,859). Working capital remained relatively flat increasing by \$41,201. Cash is lower due to seasonality factors.

	<u>Mar. 31, 2010</u>	<u>Dec. 31, 2009</u>
Cash and cash equivalents	\$ 264,836	\$ 579,859
Accounts receivable	884,610	676,136
Prepaid expenses and deposits	56,554	15,169
Accounts payable	(589,769)	(749,938)
Deferred revenue	(531,853)	(477,138)
Current portion of long-term debt	<u>(28,749)</u>	<u>(29,660)</u>
Working Capital	\$ <u>55,629</u>	\$ <u>14,428</u>

Cash used by operating activities for the first quarter of 2010 was \$280,584 compared with a source of cash of \$354,064 in the same period of the previous year, a decrease of \$634,648. The decrease in cash provided by operations is primarily due to normal seasonality in the current quarter as compared to the first quarter of 2009 when the Company commenced a large service contract.

Cash used for investing activities was \$26,574 for the first quarter of 2010 compared with \$35,967 in the same period of the prior year. The expenditure is for the planned upgrade of the Company's computer hardware and software to support the Company's product offerings.

Net cash used for financing activities was \$7,865 for the first quarter of 2010, compared with a use of cash for financing activities of \$68,100 in the same period of the prior year. The Company has principal repayments pursuant to long-term debt obligations as follows for the twelve months ending March 31, 2011 - \$28,749; 2012 - \$414,495; and 2013 - \$247,740.

On April 9, 2010, VRX and Silver Heights Capital Management Inc. announced their mutual agreement to extend the maturity date of the convertible debenture that was set to mature on May 3, 2010 for another three-year term. The agreement is subject to, among other things, the execution of definitive agreements and regulatory approval.

Transactions with Related Parties

During the three months ended March 31, 2010, the Company outsourced certain of its executive and staff search requirements to a company owned by a party related to an officer of the Company. In the aggregate the Company incurred expenses amounting to \$32,500 (2009 - \$26,250) with \$15,750 payable at March 31, 2010 (December 31, 2008 - \$20,804).

These transactions were in the normal course of operations and have been recorded at their exchange amounts.

Segmented information and Economic Dependence

The Company operates in one business segment, the provision of rich media content solutions to the travel industry. All property and equipment is located in Canada. Substantially all of the Company's revenues are derived from customers located in the United States.

The Company had two customers that accounted for greater than ten percent of revenue for a total of 27% (17% and 10% respectively) during the three months ended March 31, 2010.

Financial Instruments

As disclosed in its audited financial statements, the Company has identified several financial instruments that it utilizes in its day-to-day activities.

Management has identified that four such instruments bear scrutiny on an ongoing basis. These items are accounts receivable and other receivables, cash equivalents, accounts payable and accrued liabilities and the liability component of the Company's convertible debentures.

As described earlier, the Company has an excellent client base and strong history of collecting its accounts receivable and other receivables in full.

Cash equivalents consist of highly liquid investments which are generally less than three months. As such management perceives little risk to the Company from investing excess cash in such investments.

Accounts payable and accrued liabilities consists of normal monthly expenditures that are required for continued operations. The Company attempts to make payments within thirty to forty days.

The liability component of the Company's convertible debentures consists of financing arrangements with Silver Heights Capital Managements Inc. and Sabre Inc. Please see Note 4 in the March 31, 2010 Notes to Financial Statements for further details.

Outstanding Share Data

The authorized share capital of VRX Worldwide Inc. is unlimited. At March 31, 2010 there were 34,626,145 shares outstanding (March 31, 2009: 34,626,145). There are no warrants outstanding as the common share performance warrants issued under the original Sabre debenture were not re-issued upon restructuring (March 31, 2009: 4,000,000). There are 3,035,000 common shares reserved for issuance upon the exercise of stock options currently outstanding under the Stock Option Plan (March 31, 2009: 1,850,000).

During the three months ended March 31, 2010, the Company granted 600,000 stock options with an exercise price of \$0.155 and expiry date of March 8, 2015, giving rise to share-based payment expense of \$75,552 to be recognized over the vesting period.

Critical Accounting Estimates

The Company's consolidated financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the December 31, 2009 annual consolidated financial statements.

The accounting estimates considered to be significant to the Company include the computation of the carrying values respective of the liability and equity components of convertible debentures; the computation of stock-based compensation expense; and the computation of the provision for or recovery of income taxes.

The Company uses the relative fair value approach to classify the proceeds received from convertible debentures into their liability and equity components. Under this approach an equity value of the convertible debenture is computed using an option pricing model that includes estimates of expected volatility as well as an estimated discount rate, and concurrently a liability value is computed using a net present value methodology based on estimated discount rates. The face value of the convertible debenture is classified as equity or a liability based on the relative value that each of the above computed amounts is to the aggregate of the two amounts. During 2007 the Company classified the \$250,000 of proceeds from the Silver Heights debenture as \$75,000 to equity and \$175,000 to liability.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the

stock-based compensation being less than or greater than the amount recorded. During the first quarter of 2010, the Company recorded a stock-based compensation expense of \$17,186 (2009 - \$20,567).

Future Accounting Policy Changes

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended March 31, 2011, which must include the interim results for the three months ended March 31, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences on recognition, measurement and disclosures.

The Company is evaluating the impact of the change to IFRS. In particular, the Company has completed a preliminary assessment and planning phase and has commenced a detailed assessment and conversion planning phase. The preliminary assessment phase included the identification of those international standards that are considered likely to have the most significant impact on the Company, or anticipated to involve the highest degree of complexity in implementing.

In addition, the Company is monitoring the IASB's active projects and all changes to IFRS prior to January 1, 2011 will be incorporated as required. At this time, the impact on the Company's financial position and results of operations is not expected to be significant. The Company will implement various IFRS disclosure standards as permitted under Canadian GAAP prior to the conversion date.

As a first time adopter of IFRS, the Company is required to apply IFRS 1 "First time adoption of International Financial Reporting Standards". A number of exemptions are available under this Standard which the Company is currently evaluating including electing to use fair value at the transition date as deemed cost for capital assets in certain circumstances.

In the first half of 2010, the Company will move into the implementation phase and will work on the development of processes and systems to ensure that IFRS comparative data is captured, and to position it for reporting under IFRS in 2011.

In January 2009, the CICA issued Section 1582, Business Combinations and related standards for non-controlling interests and consolidated financial statements. This section replaces Section 1581, Business Combinations converging Canadian standards with IFRS, and is effective January 1, 2011, but earlier application is permitted. The Company will adopt these sections effective January 1, 2011. The application of this standard will not have an impact on the financial statements.

In January 2009, the AcSB issued Sections 1601 and 1602, Consolidated Financial Statements and Non-Controlling Interests which replaces Section 1600, Consolidated Financial Statements, and converges Canadian standards with IFRS. Section 1601 establishes standards for preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections apply to interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011, although early adoption is permitted. The application of this standard will not have an impact on the financial statements.

Risks and Uncertainties

An investment in the Company's common shares involves a high degree of risk. Investors should carefully consider the cautionary statement under the caption "Forward-Looking Statements" in the beginning of this Report and the other information included herein, before purchasing the Company's common shares. The risks described in these financial reports are not the only ones that the Company faces. Additional risks that are not yet known or considered immaterial at this time could also impair the Company's business, financial condition or results of operations in the future. In such case, the trading price of the Company's common shares could decline, and cause investors to lose all or a portion of their investment.

The Company invoices for its services primarily in US dollars while its operating expenses are paid in Canadian dollars. As such the Company's revenue stream is exposed to foreign currency fluctuations, in particular increases and decreases in the value of the US dollar to the Canadian dollar. It is not possible for the Company to predict such fluctuations or their magnitude.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com and at its corporate website, www.vrxworldwide.com.