

REAL TIME MEASUREMENTS INC.

INTERIM FINANCIAL STATEMENTS, 2nd Quarter Fiscal 2006

July 31 2005



REAL TIME MEASUREMENTS INC.
Statements of Operations
For the Periods Ended July 31 (Unaudited)

| | Note | 3 Months Ended July 31 | | 6 Months Ended July 31 | |
|--------------------------------------|------|------------------------|-------------|------------------------|-------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Services, rentals and sales | | 438,399 | 202,304 | 911,297 | 539,394 |
| Cost of Goods Sold | | 13,937 | 2,497 | 21,387 | 11,920 |
| | | 424,462 | 199,807 | 889,910 | 527,474 |
| Expenses | | | | | |
| Operating | | 302,209 | 157,678 | 572,828 | 364,774 |
| General and administrative | | 70,350 | 51,547 | 138,402 | 97,118 |
| Amortization | | 25,981 | 25,564 | 52,600 | 52,846 |
| Public Company costs | | 15,267 | 11,599 | 22,878 | 13,308 |
| Business development | | (4,479) | - | 22,741 | - |
| Interest on long term debt | | 775 | 2,158 | 1,707 | 4,709 |
| Bad debt (recovered) | 5 | | (8,410) | | (8,410) |
| | | 410,103 | 240,136 | 811,156 | 524,345 |
| Income (loss) before the undernoted | | 14,359 | (40,329) | 78,754 | 3,129 |
| Interest Income | | 413 | 23 | 2,500 | 115 |
| Loss on Disposal of Equipment | | - | - | (9,780) | - |
| Income (loss) before income taxes | | 14,772 | (40,306) | 71,474 | 3,244 |
| Income Taxes | | - | - | - | - |
| Net Income (Loss) for Period | | 14,772 | (40,306) | 71,474 | 3,244 |
| Deficit, beginning of period | | (1,096,574) | (1,017,038) | (1,153,276) | (1,060,588) |
| Deficit, end of period | | (1,081,802) | (1,057,344) | (1,081,802) | (1,057,344) |
| Net Income (Loss) per Share | | | | | |
| Basic and diluted | 4 | 0.001 | (0.003) | 0.004 | - |

REAL TIME MEASUREMENTS INC.

Statements of Cash Flows

For the Periods Ended July 31

| | 3 Months Ended July 31 | | 6 Months Ended July 31 | |
|---|------------------------|---------------|------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Operating | | | | |
| Net income (loss) | 14,772 | (40,306) | 71,474 | 3,244 |
| Non-cash item | | | | |
| Amortization | 25,981 | 25,564 | 52,600 | 52,846 |
| Loss on disposal of equipment | - | - | 9,780 | - |
| Cash flow from operations | 40,753 | (14,742) | 133,854 | 56,090 |
| Change in non-cash working capital | (72,300) | 57,568 | (249,556) | 95,834 |
| | (31,547) | 42,826 | (115,702) | 151,924 |
| Financing Activities | | | | |
| Payments on term loan | - | (1,713) | (23,488) | (3,413) |
| Payments on obligations under capital leases | (7,408) | (15,139) | (14,658) | (29,898) |
| | (7,408) | (16,852) | (38,146) | (33,311) |
| Investing Activities | | | | |
| Proceeds of disposal of equipment | - | - | 23,488 | - |
| Purchase of property and equipment | (107,967) | (12,181) | (182,009) | (64,879) |
| Change in non-cash working capital | (14,318) | 4,315 | (58) | (4,240) |
| | (122,285) | (7,866) | (158,579) | (69,119) |
| Increase (Decrease) in Cash for Period | (161,240) | 18,108 | (312,427) | 49,494 |
| Cash, beginning of period | 529,002 | 51,943 | 680,189 | 20,557 |
| Cash, end of period | 367,762 | 70,051 | 367,762 | 70,051 |
| Supplemental Cash Flow Information | | | | |
| Interest paid | 775 | 2,158 | 1,707 | 4,709 |
| Income taxes paid | - | - | - | - |

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2005

1. NATURE OF OPERATIONS

Real Time Measurements Inc. ("the Company" or "RTM") was incorporated on December 7, 1995 under the Business Corporations Act (Alberta) and commenced operations February 1, 1996. The Company provides electronic measurement equipment and services to the oil and gas industry.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim financial statements conform to those used in the Company's annual audited financial statements. These interim financial statements do not include all of the disclosures included in the annual financial statements and accordingly, these interim financial statements should be read in conjunction with the annual financial statements.

3. PROPERTY AND EQUIPMENT

| | July 31, 2005 | | | January 31, 2005 | | |
|------------------|------------------|--------------------------|------------------|------------------|--------------------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Field equipment | 1,484,682 | 585,142 | 899,540 | 1,366,535 | 540,663 | 825,872 |
| Office equipment | 133,303 | 83,955 | 49,348 | 117,918 | 77,896 | 40,022 |
| Shop equipment | 27,705 | 7,355 | 20,350 | 16,640 | 6,543 | 10,097 |
| Lab equipment | 31,716 | 966 | 30,750 | - | - | - |
| General vehicle | - | - | - | 42,323 | 9,055 | 33,268 |
| Leaseholds | 5,697 | 285 | 5,412 | - | - | - |
| | 1,683,103 | 677,703 | 1,005,400 | 1,543,416 | 634,157 | 909,259 |

Field equipment includes equipment under capital lease (Note 4) which, at July 31, 2005 has a cost of \$186,832, accumulated amortization of \$81,211 and net book value of \$105,621.

At July 31, 2005, field equipment having a cost of \$116,138 was under development and therefore not available for use. This equipment was not subject to amortization.

4. OBLIGATION UNDER CAPITAL LEASE

At July 31, 2005, the Company was indebted under the terms of a capital lease for field equipment (Note 3). The obligation bears interest at 9.24% per annum, is repayable in blended monthly instalments of \$2,727 and matures on June 11, 2006.

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
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5. SHARE CAPITAL

Authorized

- Unlimited number of common shares
- Unlimited number of preferred shares
- Unlimited number of common share purchase warrants

| Issued | # | \$ |
|---|------------|-----------|
| Common shares | | |
| Balance, January 31, 2004 and July 31, 2004 | 13,210,408 | 1,984,348 |
| Issued for cash | 6,664,000 | 996,268 |
| Costs of issuance | | (321,081) |
| <hr/> | | |
| Balance, January 31, 2005 and July 31, 2005 | 19,874,408 | 2,659,535 |
| <hr/> | | |
| Common share purchase warrants | | |
| Balance, January 31, 2004 and July 31, 2004 | - | - |
| Issued for cash | 333,200 | 3,332 |
| <hr/> | | |
| Balance, January 31, 2005 and July 31, 2005 | 333,200 | 3,332 |

Common share purchase warrants

During the year ended January 31, 2005 the Company issued 6,664,000 "units" at a price of \$0.15 per unit. Units consisted of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share until July 28, 2006. The Company valued each full common share purchase warrant at \$0.002.

Stock Option Plan

The Company has established a Stock Option Plan for directors, officers, employees and consultants. The maximum number of common shares which may be reserved under the Plan may not exceed 20% of the outstanding common shares at that time. Options granted under the plan generally have a term of five years and vest on the date of grant. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant. A summary of the Plan is as follows:

| | Shares | Weighted Average Price |
|---|-----------|------------------------------|
| Outstanding and exercisable, January 31, 2004 and to date | 1,117,708 | \$0.238 |

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5. SHARE CAPITAL, continued

| Expiry | Exercise Price | Outstanding and Exerciseable | Weighted Average Remaining Life (years) |
|-------------------|-------------------------|-------------------------------------|--|
| February 6, 2006 | \$0.25 | 1,017,708 | 0.6 |
| November 14, 2006 | \$0.12 | 100,000 | 1.4 |
| | \$0.12 to \$0.25 | 1,117,708 | 0.7 |

Escrow Agreements

Pursuant to an Escrow Agreement, 90% of the 3,503,450 common shares held by "principals", prior to the initial public offering, were deposited with the Computershare Trust Company of Canada to be held in escrow. The Escrow Agreement provides that the escrowed shares will be released, in six equal tranches, at six month intervals from February 13, 2001, being the date of issuance of the Final Exchange Notice with respect to the listing of the Company's shares on the TSX Venture Exchange. Accordingly, as July 31, 2005, all shares subject to this Agreement have been released from escrow.

Pursuant to second Escrow Agreement, 90% of the 160,920 common shares issued to "principals" of Destiny Hospitality Ltd., pursuant to the acquisition of the shares of that company on March 21, 2003, were deposited with the Computershare Trust Company of Canada to be held in escrow. The Escrow Agreement provides that the escrowed shares will be released, in six equal tranches, at six month intervals from May 15, 2003, being the date of issuance of the Final Exchange Notice with respect to the acquisition. Accordingly, as at July 31, 2005, 48,276 of these shares remain subject to escrow.

Agent's Options

Under the terms of an Agency Agreement with the Octagon Capital Corporation, the agent was granted 50,000 compensation warrants and 666,400 options. Each compensation warrant and each option entitle the agent to acquire one unit of the Company, at \$0.15 per unit, until July 28, 2006. Units are described above.

Per Share Amounts

Per share amounts are calculated using the weighted number of shares outstanding, as follows:

| | 3 Months Ended July 31 | | 6 Months Ended July 31 | |
|---------|-------------------------------|-------------|-------------------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Basic | 19,874,408 | 13,210,408 | 19,874,408 | 13,210,408 |
| Diluted | 19,955,217 | 13,210,408 | 20,090,506 | 13,210,408 |

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6. CONTRIBUTED SURPLUS

Contributed surplus represents compensation cost recorded with respect to agent's options described above. The fair value thereof was estimated on January 28, 2005, the date of grant, on the following basis:

The cost related to the share component of the units was estimated at \$0.149 per share, for a total of \$106,750.

The cost related to the acquisition of one additional common share (for one full common share purchase warrant and \$0.25 per share) was estimated using the Black-Scholes option pricing model with the following assumptions:

| | |
|-------------------------|------------------|
| Risk free interest rate | 2.88% |
| Dividend yield | - |
| Expected life | 18 months |
| Volatility | 187.58% |
| Fair value per share | 0.1029 |
| Compensation cost | \$ 36,850 |