

***REAL TIME MEASUREMENTS INC.***  
***INTERIM FINANCIAL STATEMENTS, 1st Quarter Fiscal 2007***  
**April 30 2006**



# REAL TIME MEASUREMENTS INC.

## Balance Sheets

As at April 30, 2006 (Unaudited) and January 31, 2006 (Audited)

	Note	April 30 2006	January 31 2006
		\$	\$
<b>Assets</b>			
Current Assets			
Cash		260,482	358,782
Accounts receivable		203,864	277,764
Inventory		29,247	26,842
Prepaid expenses and deposits		20,747	20,486
		514,340	683,874
Equipment and Leaseholds	3	971,459	994,333
Deferred Development Costs	4	183,317	148,323
		1,669,116	1,826,530
<b>Liabilities</b>			
Current Liabilities			
Accounts payable and accrued liabilities		215,586	254,522
Term loan payable, current portion		-	-
Obligations under capital leases, current portion	5	5,411	13,349
		220,997	267,871
<b>Contingent Liabilities</b>	8		
<b>Shareholders' Equity</b>			
Share Capital	6	2,662,867	2,662,867
Contributed Surplus	7	428,350	225,200
Deficit		(1,643,098)	(1,329,408)
		1,448,119	1,558,659
		1,669,116	1,826,530

On Behalf of the Board

*"signed"*

\_\_\_\_\_  
Director

*"signed"*

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Director

**REAL TIME MEASUREMENTS INC.**  
**Statements of Operations**  
**For the Periods Ended April 30 (Unaudited)**

	Note	2006 \$	2005 \$
<b>Revenue</b>			
Services, rentals and sales		280,977	472,898
<b>Cost of Goods Sold</b>			
		2,153	7,450
		<b>278,824</b>	<b>465,448</b>
<b>Expenses</b>			
Stock-based compensation	7	203,150	151,800
Operating - Services Division		188,760	211,913
Operating - Products Division		83,594	49,652
General and administrative		58,168	80,592
Amortization		29,341	26,619
Marketing		18,370	4,336
Public Company costs		6,839	7,610
Information technology		4,048	-
Interest on long term debt		244	932
Research		-	19,399
		<b>592,514</b>	<b>552,853</b>
Loss before the undernoted		<b>(313,690)</b>	<b>(87,405)</b>
<b>Interest Income</b>		-	2,087
<b>Loss on Disposal of Equipment</b>		-	<b>(9,780)</b>
Loss before income taxes		<b>(313,690)</b>	<b>(95,098)</b>
<b>Income Taxes</b>		-	-
<b>Net Loss for Period</b>		<b>(313,690)</b>	<b>(95,098)</b>
Deficit, beginning of period		<b>(1,329,408)</b>	<b>(1,153,276)</b>
<b>Deficit, end of period</b>		<b>(1,643,098)</b>	<b>(1,248,374)</b>
<b>Net Loss per Share</b>			
Basic and diluted	6	<b>(0.016)</b>	<b>(0.005)</b>

**REAL TIME MEASUREMENTS INC.**  
**Statements of Cash Flows**  
**For the Periods Ended April 30**

	Note	2006 \$	2005 \$
<b>Operating</b>			
Net income		(313,690)	(95,098)
Non-cash items			
Amortization		29,341	26,619
Stock-based compensation		203,150	151,800
Loss on disposal of equipment		-	9,780
Cash flow from operations		(81,199)	93,101
Change in non-cash working capital		79,927	(177,256)
		(1,272)	(84,155)
<b>Financing Activities</b>			
Payments on term loan		-	(23,488)
Payments on obligations under capital leases		(7,938)	(7,250)
		(7,938)	(30,738)
<b>Investing Activities</b>			
Proceeds of disposal of equipment		-	23,488
Purchase of equipment		(6,467)	(74,042)
Deferred development costs incurred	4	(64,096)	-
Government funding received	4	29,102	-
Change in non-cash working capital		(47,629)	14,260
		(89,090)	(36,294)
<b>Decrease in cash for period</b>		<b>(98,300)</b>	<b>(151,187)</b>
Cash, beginning of period		358,782	680,189
<b>Cash, end of period</b>		<b>260,482</b>	<b>529,002</b>
<b>Supplemental Cash Flow Information</b>			
Interest paid		244	932
Interest received		-	2,087
Income taxes paid		-	-

**REAL TIME MEASUREMENTS INC.**  
**Notes to Interim Financial Statements**  
**April 30, 2006**

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**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**

	April 30, 2006			January 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Field equipment	1,454,713	651,581	803,132	1,455,536	629,919	825,617
Office equipment	166,249	95,968	70,281	158,730	91,420	67,310
Shop equipment	37,878	10,225	27,653	39,001	9,224	29,777
Lab equipment	65,930	5,239	60,691	65,036	3,695	61,341
Leaseholds	11,725	2,023	9,702	11,725	1,437	10,288
	<b>1,736,495</b>	<b>765,036</b>	<b>971,459</b>	<b>1,730,028</b>	<b>735,695</b>	<b>994,333</b>

Field equipment includes equipment under capital lease (Note 4) which, at April 30, 2006 has a cost of \$186,832, accumulated amortization of \$88,937 and net book value of \$97,895.

At April 30, 2006, field equipment having a cost of \$21,837 was under development and therefore not available for use. This equipment was not subject to amortization.

**4. DEFERRED DEVELOPMENT COSTS**

The Company is developing electronic equipment which is intended to be used in the provision of services to the Company's customers and is also intended to be sold to other users. Management anticipates that the equipment will be in commercial production and use during the forthcoming year. Costs to date total \$239,819.

A portion of the Company's costs for this project are being funded by contributions from the National Research Council Industrial Research Assistance Program. At April 30, 2006, \$56,502 of such assistance has been applied to the cost of the project.

**REAL TIME MEASUREMENTS INC.**  
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**5. OBLIGATION UNDER CAPITAL LEASE**

At April 30, 2006, 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.

**6. EQUITY INSTRUMENTS**

Authorized

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

Issued	#	\$
Common shares		
Balance, end of all applicable periods	<b>19,874,406</b>	<b>2,659,535</b>
<hr/>		
Common share purchase warrants		
Balance, end of all applicable periods	<b>333,200</b>	<b>3,332</b>
<hr/>		
		<b>2,662,867</b>

**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.

**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, all shares subject to this Agreement had 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, 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 April 30, 2006, 24,138 shares remain subject to escrow.

**REAL TIME MEASUREMENTS INC.**  
**Notes to Interim Financial Statements**  
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**6. EQUITY INSTRUMENTS, continued**

**Stock Option Plan**

The Company has established an Incentive 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:

<b>Outstanding and exercisable</b>	<b>Shares</b>	<b>Weighted Average Price</b>
Balance, January 31, 2005	1,117,708	\$0.238
Granted	1,016,292	\$0.150
Balance, April 30, 2005	2,134,000	\$0.196
Forfeited	(470,000)	(\$0.150)
Balance, January 31, 2006	1,664,000	\$0.209
Granted	<b>1,923,708</b>	<b>\$0.120</b>
Expired	<b>(1,017,708)</b>	<b>(\$0.250)</b>
Forfeited	<b>(240,000)</b>	<b>(\$0.150)</b>
Balance, April 30, 2006	<b>2,330,000</b>	<b>\$0.124</b>

<b>Expiry</b>	<b>Exercise Price</b>	<b>Outstanding and Exercisable</b>	<b>Weighted Average Remaining Life (years)</b>
November 14, 2006	<b>\$0.12</b>	<b>100,000</b>	<b>0.54</b>
February 16, 2010	<b>\$0.15</b>	<b>306,292</b>	<b>3.80</b>
February 13, 2011	<b>\$0.12</b>	<b>1,623,708</b>	<b>4.79</b>
March 14, 2011	<b>\$0.12</b>	<b>300,000</b>	<b>4.87</b>
	<b>\$0.12 to \$0.15</b>	<b>2,330,000</b>	<b>4.49</b>

**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.

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**6. EQUITY INSTRUMENTS, continued**

**Per Share Amounts**

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

	<b>2006</b>	<b>2005</b>
Basic	<b>19,874,408</b>	19,874,408
Diluted	<b>19,980,689</b>	20,117,858

**7. STOCK-BASED COMPENSATION**

The fair value of the compensation cost recorded with respect to options granted was estimated, on the date of grant, on the following basis:

	<b>2006</b>	<b>2005</b>
Risk free interest rate	<b>4.11%</b>	3.57%
Dividend yield	-	-
Expected life	<b>5 years</b>	5 years
Volatility	<b>174.22%</b>	183.63%
Fair value per share	<b>0.1242</b>	0.1494
Compensation cost	<b>\$ 238,950</b>	\$ 151,800

Contributed surplus comprises the following:

	<b>\$</b>
Balance, January 31, 2005	143,600
Compensation cost (recovery) related to Issuance of options under incentive stock option plan	151,800
Balance, April 30, 2005	295,400
Compensation cost (recovery) related to Options forfeited	(70,200)
Balance, January 31, 2006	225,200
Compensation cost (recovery) related to Issuance of options under incentive stock option plan Options forfeited	<b>238,950</b> <b>(35,800)</b>
Balance, April 30, 2006	<b>428,350</b>



# **REAL TIME MEASUREMENTS INC.**

## ***Notes to Interim Financial Statements***

**April 30, 2006**

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### **8. CONTINGENT LIABILITIES**

The Company is party to a Statement of Claim, by one of its suppliers. In the claim, the supplier alleges that the Company, its President, Mr. Terry Matthews, and others conspired to steal confidential information and induce the supplier's employees to leave and become the owners of another company ("Newco") that was funded by one of the defendants (not the Company). The supplier claims that Newco was specifically set up to take customers away from and to compete with the supplier.

The Statement of Claim details certain claims against all the defendants jointly and severally, and it also details claims that are specific to selected groups of defendants.

Against all the defendants, the supplier is claiming a total of approximately \$5.0 million. Specifically, jointly and severally against the Company, Newco and Mr. Matthews, the supplier is claiming additional general damages of \$1.0 million. The total claim against the Company is approximately \$6.0 million, plus costs.

A statement of defense has been filed on a number of grounds, the foremost being that the claim is not true and further, that there have been no damages suffered by the supplier.

Management believes that the Claim is frivolous and groundless and that the potential exposure to the Company is limited to legal costs which may exceed \$50,000.

The Company is also the defendant in a Statement of Claim filed by an individual who was the Company's CFO from February 1 to June 1, 2005. The claim alleges wrongful dismissal and damage to reputation.

The total monetary claim is \$105,000.

The Company has filed a statement of defense and a counterclaim wherein it alleges that the individual breached the terms of his contract as well as his fiduciary duties and that his dismissal was justified.

The total monetary claim by the Company is \$200,000.

Management believes that the Claim is without merit and that the potential exposure to the Company is limited to legal costs which may exceed \$5,000.

### **9. SUBSEQUENT EVENTS**

#### **Incentive Stock Options**

On May 15, 2006, the Company granted incentive stock options for the purchase of up to 300,000 common shares at a price of \$0.12 per share. The options expire May 15, 2011.

Compensation cost of approximately \$37,250 will be recorded in respect of these options.

#### **Private Placement**

On May 31, 2006 the Company closed a private placement of 1,500,000 units, at \$0.13 cents per unit, for total proceeds of \$195,000. Each unit included one common share with 4 month hold and 1/2 of a \$0.25 cent common share purchase warrant, valid for 12 months from the date of issue.