

***REAL TIME MEASUREMENTS INC***

***INTERIM - MANAGEMENT DISCUSSION and ANALYSIS***

***2<sup>nd</sup> Quarter, Fiscal 2007***

***For the three month period ended July 31 2006***

SEPTEMBER 29 2006





*REAL TIME MEASUREMENTS INC.*

**Second Quarter, Fiscal 2007**

Management Discussion and Analysis, September 29 2006

*for*

the three month period ended July 31 2006

**General**

This Management Discussion and Analysis of the operational results and financial condition of Real Time Measurements Inc. for the second quarter of fiscal 2007, which is the three month period ended July 31 2006, should be read in conjunction with the corresponding company's interim quarterly financial statements and accompanying notes thereto dated July 31 2006.

The company's financial statements are prepared in accordance with Canadian General Accepted Accounting Principles and the reporting currency is Canadian dollars, unless otherwise indicated. The date of this Management Discussion and Analysis is September 29 2006. Additional information is available about the company on SEDAR at [www.sedar.com](http://www.sedar.com).

**Risk and Uncertainty**

Demand for the company's services and products, depends largely on the level of spending by oil and gas companies for exploration, development and production activities worldwide. There has been a significant industry wide increase in the level of oil and gas services provision over the past several years, however this trend has begun to show weakness. No assurance can be given that current activity levels will be maintained or increase or decrease or that demand for the company's services will reflect the level of overall activity. As well, oil and gas industry activity levels depend in large measure upon oil and gas prices which may be affected by local or international factors or by Government regulation which cannot be accurately predicted. If oil and gas prices decrease or fail to meet expectations, service activities may be reduced significantly, which can have a material adverse effect on the company's operations and financial condition.

The company's operations are subject to the seasonal nature of oil and gas service company activity in Western Canada and the rest of the world. Accordingly, the Corporation's revenues are impacted by its inability to conduct operations due to seasonal weather conditions. Oil and natural gas producers activity levels fluctuate a great deal and their spending habits on field services directly impacts the company's revenues. Oil and natural gas operations are subject to extensive legislative and regulatory controls imposed by various levels of government which may be amended from time to time. The company's operations are also subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

Oil and gas well service and testing activities involve risk of loss from causes such as fires and accidental explosions, blow-outs, cratering, petrochemical spills and the like, any of which can cause personal injury and/or loss of life and/or damage to property and/or damage to the environment. The company carries available insurance against certain commercial risks that management considers prudent. The company may not, however, be able to obtain insurance against all possible losses. Interruptions and delays caused by adverse weather conditions, equipment failures and other events that can significantly adversely affect the company's future prospects.

The company does not have patents on any of its principal technology, services and products and in some instances relies primarily on trade secrets and unpatented know-how to maintain its competitive position. There can be no assurance that others may not become privy to such trade secrets and know-how or independently develop the same or similar technologies, services and products.

While the company's technologies and services have been operating successfully in the oil and gas industry for over eight years, it has done so with only six Smart Drop Off (SDO) units in productive capacity with a relatively small number of oil and gas companies. If and when additional SDO units are manufactured and utilized by various oil and gas clients of the company, and notwithstanding managements optimistic viewpoint, there is no way to express the level of certainty as to whether or not future clients will be satisfied with the quality of future SDO services.

The company may require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available or, if available, will not be available on favorable terms.

Any expansion of the company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the company will be able to manage growth successfully. Any inability of the company to manage growth successfully could have a material adverse effect on the company's future prospects.

### Changes in Accounting Policies

The company has made some changes to the way the companies' financial activity will be reported;

Arising from the Fiscal 2006 Audit, the company has begun to record a fair value estimate of the compensation cost with respect to options granted. This expense is being recorded during the period when the corresponding stock options are granted or expire unexercised. The effect of this change will show-up in the quarterly results summary in Table 2 and any associated discussions. When a number is quoted from a previous quarter and the Stock-based Compensation figure is newly taken into account, the notation <re-stated> will follow the quoted number.

Prior to this reporting quarter, the company has consolidated the costs of providing services, product support, marketing activities, information technology and research all under the expense

category called “Operating”. From now on, the company will report Services, Product Support, Marketing, Information Technology and Research expenses under separate expense headings. For comparative purposes, the company will break operating expenses into the same corresponding new categories for the preceding four quarters using the same expense classification criteria as accurately as possible.

## Forward-looking Statements

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. Although new material developments will continue to be press-released as they are experienced, the company undertakes no obligation to publicly release any revision to these forward-looking statements, in order to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are referred to the following Management’s Discussion and Analysis, including discussions of potential risks and uncertainties affecting the company’s business, financial condition and liquidity, and results of operations that could cause actual results to be materially different from such forward-looking statements.

## Nature of Business

Real Time Measurements Inc. is an independent Canadian oil and gas service and technology development company with its head office in Calgary Alberta. The company was founded in December 1995 to exploit opportunities arising from the creative application of technological developments to solving oil and gas upstream measurement problems in more efficient ways. RTM’s primary business activities have revolved around the commercial introduction and development of a premium quality downhole pressure survey system which is used primarily, although not exclusively, in oil and gas wells. The service is called Smart Drop Off (SDO). SDO provides customers with a secure internet based data port that links them to a high precision electronic pressure gauge downhole in a well. SDO makes use of sensor-to-desktop technology that dramatically improves well test operational efficiency and quality. RTM management has become aware of at least two other Canadian service companies that have begun to offer a service that appeals to the same customer requirement as the SDO. Since the beginning of 2005, the Company has been investing in the development of a brand new technological platform called DataTrak. DataTrak encompasses several components, each of which will be stand-alone products as well as enhancements to RTM’s current SDO technology platform.

## Results of Operations - Overview

For the three month period ended July 31 2006 RTM recorded a 49% decrease in gross Q2 revenue from \$438,399 last year to \$222,147 this year. Revenue for the first six months of fiscal 2007 decreased from \$911,297 to \$503,124, a 45% decrease.

For the three month period ended July 31 2006, total expenses decreased year over year by 7% from \$410,103 <re-stated> to \$381,930.

RTM reported a net loss for the quarter of \$161,622 (\$0.008 loss per share), a \$175,981 net earnings decrease compared to last years second quarter net earnings of \$14,359 <re-stated> (\$0.001 earnings per share <re-stated>). Net loss for the first six months of fiscal 2007 was \$475,312 compared to a net loss of \$73,046 <re-stated> for the same period last year.

Cash flow deficit from operations for the second quarter of fiscal 2007 was \$98,678 as compared to last years second quarter cash flow surplus from operations of \$40,753. The cash flow deficit for the first six months of fiscal 2006 was \$179,877 as compared to last years \$133,854 cash flow surplus.

Second quarter 2007 closed with a working capital balance (current assets minus current liabilities) of \$239,016 on July 31 2006, as compared to \$293,343 at the beginning of the quarter on April 30 2006 and \$416,003 at the beginning of the fiscal year on January 31 2006. Working capital has been consumed over the six month period as RTM invested in DataTrak development and supported itself through the seasonally low revenue anomaly experienced during the first six months of fiscal 2006.

As at July 31 2006, the company was debt free.

## Revenue

Total revenue (ref. Table 1) in the second quarter of fiscal 2007 was \$222,147 (Q2 fiscal 2006 - \$438,399), a 49% year over year quarterly revenue decrease. RTM's largest quarterly revenue component was \$137,883 from SDO operations (\$294,449 in Q1 fiscal 2006), a 53% year over year quarterly decrease. Electronic instrument rentals revenue was \$57,500 (\$94,432 in Q2 fiscal 2006) which has decreased by 39% year over year.. Revenue was \$18,130 from data processing (\$31,517 in Q2 fiscal 2006), 42% less than Q2 last year and \$8,635 from equipment and battery sales which is 53% less than the \$17,650 sales figure for Q2 2006. Revenue results reported for the first six months of fiscal 2007 experienced the same negative trend as the quarter. Six month revenue was 45% lower at \$503,124 compared to \$911,297 in the same period last year. Six month SDO revenue was down by 49% from \$648,648 to \$329,119. Electronic Instrument Rentals, Data Processing and Equipment Sales were each down by 31%, 29% and 73% respectively over the six month period as compared to last year.

On a dollar basis, for Q2, 72% of the overall revenue decrease compared to last year was accounted for by decreased SDO revenue. A similar result is reflected in the six month results wherein the dollar value of decreased SDO revenue accounted for 78% of the overall revenue decrease. The decreased SDO revenue experienced in Q2 is a continuation of a trend management believes began during Q4 fiscal 2006 in December 2005. RTM's other revenue sources have also produced results that point to overall decreased service industry activity, at least in RTM's sector.

RTM management has been expecting and waiting for years for the implications of the change in SDO revenue that began in Q4 2006 and has continued into Q2 2007. There is no way of knowing for sure, however RTM management believes the SDO revenue dip results from the combined effect of the arrival of competition to the SDO and a general industry wide slow down. RTM management is powerless to effect any change in the industry wide slow down. All the company can do is cut operating expenses if the trend looks like it has some staying power. On the other hand, RTM invented the SDO concept and the company has been working hard for many years to

convince oil and gas companies that it's a useful service. Within the past 18 to 24 months oil and gas companies have begun to embrace the SDO concept. The strong customer interest in SDO services has encouraged at least two established Canadian service companies decide to try and copy RTM's SDO. This is exciting news for RTM management because it represents validation of the SDO concept. This is also exciting because RTM is highly seasoned and the best at providing SDO services. As the market for SDO-like services expands, RTM will take-up a strong position of technical leadership in this growing new business segment.

The oil and gas industry is now beginning to wake-up and realize how useful SDO services are. Some years ago, when development of the market for RTM's exclusive SDO service began, RTM management anticipated success would be punctuated by the arrival of competition. RTM management is currently investing as much as the company dares toward the development of DataTrak. RTM is the pioneer and leader in the SDO business and the company will use its vast experience earned over the past ten years to ensure DataTrak is the best technology platform possible for SDO-type applications. Once commercial, DataTrak will ensure RTM's successful transition from being the only company to offer SDO services to being the best and a market leader.

**Table 1**

	Total Revenue	SDO	Electronic Instrument Rentals	Data Processing	Equipment & Battery Sales
<b>1<sup>st</sup> six months fiscal 2007</b>	\$503,124 (-45%)	\$329,119 (-49%)	\$116,200 (-31%)	\$45,590 (-29%)	\$12,215 (-73%)
<b>Q2 fiscal 2007</b>	\$222,147 (-49%)	\$137,883 (-53%)	\$57,500 (-39%)	\$18,130 (-42%)	\$8,635 (-53%)
<b>1<sup>st</sup> six months fiscal 2006</b>	\$911,297	\$648,648	\$152,545	\$65,327	\$45,624
<b>Q2 fiscal 2006</b>	\$438,399	\$294,449	\$94,432	\$31,517	\$17,650

## Expenses

Total expenses of \$381,930 in the second quarter of fiscal 2007 (Q2 fiscal 2006 -- \$410,103) represented a \$28,173 (-7%) year-over-year quarterly decrease in total expenses. Total expenses for the first six months of fiscal 2007 increased by 1% from \$962,956 last year to \$974,444 this year.

Second quarter Service Division operating expenses decreased year over year by 16% from \$209,793 to \$176,635. This decrease is primarily due to decreased personnel and operating expense requirements to support 49% less SDO activity. Service Division expenses for the first six months of fiscal 2007 decreased by 13% for the same reason.

The company reported a Stock Based Compensation expense of \$33,850 during Q2 fiscal 2007. This expense arises from the issuance of stock options to a newly appointed Director in May 2006. No Stock Based Compensation expense was recorded for Q2 last year. During the first six months of fiscal 2007, cumulative Stock Based Compensation expenses were \$237,000. These arose from the allocating of stock options to new Directors and new options granted to RTM employees and directors to replace expired options. Management hopes shareholders understand that these expenses didn't represent a cash transaction. For more details please refer to Note 6 in the accompanying financial statements.

Second quarter Products Division expenses decreased by 41% from \$73,450 last year to \$43,454 this year. This decrease is caused by the re-assigning of production personnel to DataTrak development activities. Products Division expenses increased by 3% year over year during the six month period.

Marketing expenses for Q2 went from \$4,886 to an insignificant \$1,005. Marketing expenses for the first six months reported an increase of 110% from \$9,222 last year to \$19,375 this year. Marketing activities were being ramped-up early in the fiscal year, but when the revenue slowdown started looking like it was going to last more than a few months, marketing activities were curtailed and, as a cost saving measure, are now being taken care of by operations personnel.

Information Technology expenses were reported in Q2 2007 as \$5,287 and \$9,336 for the first six months. These were expenses associated with maintaining the web server where RTM's website resides and where customers go to retrieve their data. This is a new separate expense category which was previously part of Operating Expenses.

General and Administrative expenses for the second quarter decreased year over year by 22% from \$79,780 last year to \$62,328 this year. On a six month basis G&A expenses decreased by 26% year over year. Most of the decrease came from lower staffing levels and ongoing cost control measures. Further cost cutting measures are currently being implemented by management such as a 40% decrease in pay for the CEO and voluntary temporary pay reductions by dedicated management personnel.

Year over year combined quarterly amortization, public company and interest expenses increased by about 28% from \$42,032 last year to \$54,054 this year. The same bundle of expenses increased by 17% year over year in the first six months. Most of the increase was due to a increased Public Company expenses related to higher annual report costs. There was also a small increase in amortization thanks to the purchase of lab equipment.

## Cash Flow and Net Loss

Total revenue of \$222,147, a cost of goods sold of \$1,839 and total expenses of \$381,930 resulted in RTM reporting a net loss of \$161,622 (\$0.008 loss per share) and a negative cash flow from operations of \$98,678 in the second quarter of fiscal 2007. This compares to a net earnings of \$14,359 (\$0.001 earnings per share) and a \$40,753 cash flow surplus from operations for the same fiscal period last year.

The company reported a net loss of \$475,312 for the first six months of fiscal 2007 compared to a net loss of \$73,046 <re-stated> for the same period last year. Cash flow from operations deficit



over the same six month period was \$179,877 compared to last years six month cash surplus of \$133,854.

## Summary of Quarterly Results

Table 2 below contains selected consolidated financial information, rounded to the nearest \$000's for Q2-2007 presented along side the previous fourteen quarters:

**Table 2**

	Net Revenue	G & A Expenses	Amort...	Operating and Other Expenses	Stock Based Comp	Net Earnings	Cash Flow from Operations
<b>Q2-2007</b>	220	62	29	257	34	(-162)	(-99)
<b>Q1-2007</b>	279	58	29	302	203	(-313)	(-81)
<b>Q4-2006</b>	323	43	40	361	-54	(-68)	(-91)
<b>Q3-2006</b>	357	75	28	299	-54	9	(-16)
<b>Q2-2006</b>	424	70	26	313	37	(-22)	41
<b>Q1-2006</b>	465	81	27	302	152	(-95)	93
<b>Q4-2005</b>	247	72	30	217	0	(72)	(42)
<b>Q3-2005</b>	234	71	24	161	0	(23)	1
<b>Q2-2005</b>	200	72	25	142	0	(40)	(14)
<b>Q1-2005</b>	328	64	27	192	0	43	70
<b>Q4-2004</b>	363	93	26	174	0	71	97
<b>Q3-2004</b>	282	82	23	161	0	15	39
<b>Q2-2004</b>	166	79	24	139	0	(77)	(52)
<b>Q1-2004</b>	294	72	24	245	0	(47)	(23)

RTM is like most Canadian oil and gas service companies in that the best financial quarter of each year is generally Q1 or Q4. For RTM, in fiscal 2004, Q4 was the strongest quarter, in fiscal 2005, Q1 was strongest, in fiscal 2006 Q1 was again the strongest. So far this year Q1 is the strongest quarter. Q1 and Q4 span the winter months when the ground is frozen and oil and gas service activity is generally at higher levels. Each year RTM's weakest quarter is usually Q2 or Q3, which span the spring and summer months. In both fiscal 2004 and 2005, the weakest quarter was Q2. Fiscal 2006 broke the pattern when Q4 turned out to be the weakest quarter. This anomaly is most likely due to the market validation of RTM's SDO service as marked by the arrival of competition.

So far in fiscal 2007, Q2 is the weakest quarter and although revenue numbers are low compared to the previous year, the results are within the operating range over the past few years.

Analysis by management of the figures Table 2 yields some interesting patterns; Over the past 13 quarters RTM's quarterly revenue has bounced between \$166K and \$465K. This is a 280% (465/166) swing in quarterly revenue. On the other hand, combined G&A plus amortization plus operating and other expenses floated between a low of \$239K in Q2 2005 and a high of \$444K in Q4 2006 for a narrower band of about 186% (444/239) in variability. In the past five quarters, operating expenses have been creeping above traditional previous levels. This increase is due to the additional costs associated with the investment in DataTrak development and the cost of supporting increased revenue generating activity during the busy quarters. In the current lean revenue times, management is dedicated to implementing positive steps to reduce costs, such as decreasing the CEO's pay by about 40%, temporary voluntary management pay reductions, reduced work hours and decreased field staff numbers. These steps are being taken to preserve working capital while forging ahead with companies' business plan.

## Research and Development

During Q2 2007, by way of \$61,037 in deferred development costs, \$43,454 in product support costs, and \$34,530 in IRAP grant monies from the Canadian National Research Council, RTM invested a net of \$69,961 in DataTrak development in Q2 2007. This represented 32% of RTM's revenue for the quarter. In the first six months of fiscal 2007, RTM invested a net of \$134,951 which represented 27% of revenue for the period. This significant investment in DataTrak development was evidence of RTM management's determination to successfully commercialize DataTrak which will fuel RTM's future growth.

## Liquidity and Capital Resources

On July 31 2006 the company ended Q2 fiscal 2007 with a working capital surplus (current assets – current liabilities) of \$239,016. This is \$176,987 less than the \$416,003 surplus recorded six months previously at the end of fiscal 2006. The working capital surplus at the end of Q2 fiscal 2007 was \$480,249 lower than the \$719,265 working capital surplus a year ago at the end of Q2 fiscal 2006. The year over year decrease in Q2 working capital stems from cash reserves being used to purchase new equipment, refurbish older equipment, support DataTrak development and make-up for the cash flow deficit in Q1 and Q2 fiscal 2007. Management responded to the revenue dip by cutting payroll and other expenses to ensure the Company has sufficient working capital to proceed with the current business plan.

As at July 31 2006, the company had no debt material enough to be recorded.

## Private Placement Financing

On May 31 2006, the Company completed the sale of 1,500,000 units in a Private Placement for gross proceeds of \$195,000. The proceeds were raised for the purchase equipment so that RTM can fulfill its obligations under a new contract between N.A. Solid Petroserve Ltd. (NASP) and RTM. NASP is a private oil and gas service company that operates in Tunisia. RTM will be providing NASP with equipment and technology on a sub-contract basis.

## Outlook

The company's current business plan encompasses three general areas of activity:

The first area of activity is the continuation of present business activities. This includes the operational and marketing work involved in providing SDO, electronic equipment rentals, data processing services and equipment sales in Canada.

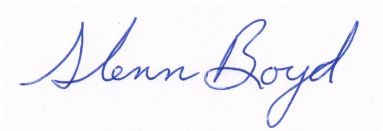
The second area of activity is the development of DataTrak. The first DataTrak product, called KC1, is currently being field tested. The live field tests are very encouraging and commercial introduction of KC1 is expected to take place before the end of Q3 2007.

The third and most recently added line of activity is operations in North Africa. As of the date of this MD&A, field operations have begun in Tunisia, revenue is being generated and the customer is pleased with RTM's work. Expansion of the overseas operations is expected within six months.

Within the next six to twelve months, RTM's three lines of business activity will converge and become one. Development of DataTrak and the development of RTM's business plan which includes being number one in the SDO business, expanding domestically and expanding overseas, will all become one single agenda as the company bolsters its competitive position as the leader in a new growing sector of the oil and gas industry.

In response to the current dip in SDO revenue, management is taking decisive action that includes significant voluntary temporary reductions in pay for management staff. These and other cost cutting measures are being taken because management is dedicated to the success of the company and the team is prepared to do what it takes to ensure RTM has the ability to successfully pursue its business plan.

Dated : September 29 2006



Signed

Glenn Boyd, Director, VP Operations, CFO



Signed

Terry Matthews, Director, President, CEO



Real Time Measurements Inc. *as at September 29 2006:*

<b>STOCK EXCHANGE</b>	TSX Venture Exchange
<b>SYMBOL</b>	RTY
<b>MANAGEMENT TEAM</b>	Terry Matthews, P.Eng. : Director, President, Chief Executive Officer Glenn Boyd, P.Eng. : Director, V.P Operations, Chief Financial Officer
<b>INDEPENDENT DIRECTORS</b>	Kaan Camlioglu, CFA : Director, Audit Committee William Grbavac : Director, Audit Committee
<b>AUDITOR</b>	Stan Peloski, MPG Chartered Accounts, Calgary, Alberta
<b>LEGAL COUNSEL</b>	Heighington Law Firm, Barristers & Solicitors, Calgary, Alberta
<b>TRANSFER AGENT</b>	Computershare Trust Company of Canada, Calgary, Alberta
<b>HEAD OFFICE</b>	Real Time Measurements Inc. 4500 50 <sup>th</sup> Avenue SE Calgary Alberta T2B 3R4 ph 403-720-3444, fx 403-720-3319 <a href="http://www.rty.ca">www.rty.ca</a>
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