

REAL TIME MEASUREMENTS INC.

INTERIM FINANCIAL STATEMENTS, 2nd Quarter Fiscal 2007

July 31 2006



REAL TIME MEASUREMENTS INC.

Balance Sheets

As at July 31, 2006 (Unaudited) and January 31, 2006 (Audited)

	Note	July 31 2006 \$	January 31 2006 \$
Assets			
Current Assets			
Cash		193,449	358,782
Accounts receivable		217,204	277,764
Inventory		45,144	26,842
Prepaid expenses and deposits		29,482	20,486
		485,279	683,874
Equipment and Leaseholds	3	1,063,348	994,333
Deferred Development Costs	4	209,824	148,323
		1,758,451	1,826,530
Liabilities			
Current Liabilities			
Accounts payable and accrued		246,263	254,522
Obligations under capital leases, current portion		-	13,349
		246,263	267,871
Contingent Liabilities	7		
Shareholders' Equity			
Share Capital	5	2,854,708	2,662,867
Contributed Surplus	6	462,200	225,200
Deficit		(1,804,720)	(1,329,408)
		1,512,188	1,558,659
		1,758,451	1,826,530

On Behalf of the Board

"signed"

Director

"signed"

Director

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	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue					
Services, rentals and sales		222,147	438,399	503,124	911,297
Cost of Goods Sold					
		1,839	13,937	3,992	21,387
		220,308	424,462	499,132	889,910
Expenses					
Operating - Services Division		176,635	209,793	365,394	421,707
Stock-based compensation		33,850	-	237,000	151,800
Operating - Products Division		43,454	73,450	127,048	123,101
General and administrative		62,328	79,780	120,496	160,372
Amortization		29,094	25,981	58,435	52,600
Public Company costs		24,916	15,267	31,755	22,878
Marketing		1,005	4,886	19,375	9,222
Information technology		5,287	-	9,336	-
International		5,317	-	5,317	-
Interest on long term debt		44	775	288	1,707
Research		-	171	-	19,569
		381,930	410,103	974,444	962,956
Income (loss) before the undernoted		(161,622)	14,359	(475,312)	(73,046)
Interest Income		-	413	-	2,500
Loss on Disposal of Equipment		-	-	-	(9,780)
Income (loss) before income taxes		(161,622)	14,772	(475,312)	(80,326)
Income Taxes		-	-	-	-
Net Income (Loss) for Period		(161,622)	14,772	(475,312)	(80,326)
Deficit, beginning of period		(1,643,098)	(1,248,374)	(1,329,408)	(1,153,276)
Deficit, end of period		(1,804,720)	(1,233,602)	(1,804,720)	(1,233,602)
Net Income (Loss) per Share					
Basic and diluted	4	(0.008)	0.001	(0.023)	(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	
	2006	2005	2006	2005
	\$	\$	\$	\$
Operating				
Net income (loss)	(161,622)	14,772	(475,312)	(80,326)
Non-cash item				
Amortization	29,094	25,981	58,435	52,600
Stock-based compensation	33,850	-	237,000	151,800
Loss on disposal of equipment	-	-	-	9,780
Cash flow from operations	(98,678)	40,753	(179,877)	133,854
Change in non-cash working capital	(109,707)	(72,300)	(31,580)	(249,556)
	(208,385)	(31,547)	(211,457)	(115,702)
Financing Activities				
Payments on term loan	-	-	-	(23,488)
Payments on obligations under capital leases	(5,411)	(7,408)	(13,349)	(14,658)
Issuance of share capital	191,841	-	191,841	-
	186,430	(7,408)	178,492	(38,146)
Investing Activities				
Proceeds of disposal of equipment	-	-	-	23,488
Purchase of property and equipment	(120,983)	(107,967)	(127,450)	(182,009)
Deferred development costs incurred	(61,037)	-	(125,133)	-
Government funding earned	34,530	-	63,632	-
Change in non-cash working capital	102,412	(14,318)	56,583	(58)
	(45,078)	(122,285)	(132,368)	(158,579)
Decrease in Cash for Period	(67,033)	(161,240)	(165,333)	(312,427)
Cash, beginning of period	260,482	529,002	358,782	680,189
Cash, end of period	193,449	367,762	193,449	367,762
Supplemental Cash Flow Information				
Interest paid	44	775	288	1,707
Income taxes paid	-	-	-	-

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2006

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, 2006			January 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Field equipment	1,572,714	673,062	899,652	1,455,536	629,919	825,617
Office equipment	168,184	100,517	67,667	158,730	91,420	67,310
Shop equipment	38,333	11,179	27,154	39,001	9,224	29,777
Lab equipment	66,522	6,763	59,759	65,036	3,695	61,341
Leaseholds	11,725	2,609	9,116	11,725	1,437	10,288
	1,857,478	794,130	1,063,348	1,730,028	735,695	994,333

At July 31, 2006, field equipment having a cost of \$131,168 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 \$300,856

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 July 31, 2006, \$91,032 of such assistance has been applied to the cost of the project.

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2006

5. EQUITY INSTRUMENTS

Authorized

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

Issued	#	\$
Common shares		
Balance, January 31, 2005, July 31, 2005 and January 31, 2006	19,874,406	2,659,535
Issued for cash	1,500,000	193,500
Expiry of common share purchase warrants		3,332
Costs of issuance		(3,159)
<hr/>		
Balance, January 31, 2005 and July 31, 2005	21,374,406	2,853,208
<hr/>		
Common share purchase warrants		
Balance, January 31, 2005, July 31, 2005 and January 31, 2006	3,332,000	3,332
Expired	(3,332,000)	(3,332)
Issued for cash	750,000	1,500
<hr/>		
Balance, January 31, 2005 and July 31, 2005	750,000	1,500
<hr/>		
		2,854,708
<hr/>		

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 entitled 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. These warrants have expired.

During the current quarter, the Company issued 1,500,000 "units" at a price of \$0.13 per unit. Units consisted of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant entitled the holder to acquire one common share of the Company at a price of \$0.25 per share until May 31, 2007. 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 have been released from escrow.

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2006

5. EQUITY INSTRUMENTS, continued

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, all shares subject to this Agreement have been released from escrow.

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:

Outstanding and exercisable	Shares	Weighted Average Price
Balance, January 31, 2005	1,117,708	\$0.238
Granted	1,016,292	\$0.150
Balance, July 31, 2005	2,134,000	\$0.196
Forfeited	(470,000)	(\$0.150)
Balance, January 31, 2006	1,664,000	\$0.209
Granted	2,223,708	\$0.120
Expired	(1,017,708)	(\$0.250)
Forfeited	(240,000)	(\$0.150)
Balance, July 31, 2006	2,630,000	\$0.123

Expiry	Exercise Price	Outstanding and Exercisable	Weighted Average Remaining Life (years)
November 14, 2006	\$0.12	100,000	0.29
February 16, 2010	\$0.15	306,292	3.55
February 13, 2011	\$0.12	1,623,708	4.54
March 14, 2011	\$0.12	300,000	4.62
May 15, 2011	\$0.12	300,000	4.79
	\$0.12 to \$0.15	2,630,000	4.30

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2006

5. EQUITY INSTRUMENTS, continued

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 entitled the agent to acquire one unit of the Company, at \$0.15 per unit, until July 28, 2006. These options have expired.

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	
	2006	2005	2006	2005
Basic	20,895,060	19,874,408	20,393,193	19,874,408
Diluted	20,967,295	19,955,217	20,475,922	20,090,506

6. 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:

	2006		2005
	March 14	May 15	
Risk free interest rate	4.11%	4.24%	3.57%
Dividend yield	-	-	-
Expected life	5 years	5 years	5 years
Volatility	174.22%	164.04%	183.63%
Fair value per share	0.1242	0.1128	0.1494
Compensation cost	\$ 238,950	\$ 33,850	\$ 151,800

REAL TIME MEASUREMENTS INC.

Notes to Interim Financial Statements

July 31, 2006

6. STOCK-BASED COMPENSATION, continued

Contributed surplus comprises the following:

	\$
Balance, January 31, 2005	143,600
Compensation cost (recovery) related to Issuance of options under incentive stock option plan	151,800
<hr/>	
Balance, July 31, 2005	295,400
Compensation cost (recovery) related to Options forfeited	(70,200)
<hr/>	
Balance, January 31, 2006	225,200
<hr/>	
Compensation cost (recovery) related to Issuance of options under incentive stock option plan - March 14, 2006	238,950
Issuance of options under incentive stock option plan - May 15, 2006	33,850
Options forfeited	(35,800)
<hr/>	
	237,000
<hr/>	
Balance, July 31, 2006	462,200
<hr/>	

7. 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.

REAL TIME MEASUREMENTS INC.
Notes to Interim Financial Statements
July 31, 2006

7. CONTINGENT LIABILITIES, continued

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.