Real Time Measurements Inc

INTERIM - MANAGEMENT DISCUSSION and ANALYSIS

3rd Quarter, Fiscal 2007

For the period ended October 31 2006

December 29 2005

RTM INC

Real Time Measurements Inc.

Third Quarter, Fiscal 2007

Management Discussion and Analysis, December 29 2006

for

the three month period ended October 31 2006

General

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

The company's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting currency is Canadian dollars, unless otherwise indicated. The date of this Management Discussion and Analysis is December 29 2006. Additional information is available about the company on SEDAR at 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. No assurance can be given that current activity levels will be maintained, increase, 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 may be impacted by its inability to conduct operations due to seasonal weather conditions. 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 may also be 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 or 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 was named as the defendant in two civil lawsuits during the second quarter of the previous fiscal year. One of the lawsuits pertains to an alleged wrongful dismissal claim that has been filed by an ex-employee. The other lawsuit was filed against RTM and President Terry Matthews by Spartek Systems. Management is taking all necessary prudent and diligent steps to ensure the company's best interests are looked after in these matters. RTM management believes the company will prevail in both legal actions. Management also believes that neither lawsuit will have a material impact on the future prospects of the company.

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 is 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.

As of 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.

Prior to this reporting quarter, the company has consolidated the costs of providing services, product support, international operations, 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 International expenditures 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 may contain 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 other parts of this Management 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 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 recent technological developments to solving selected oil and gas upstream measurement problems in more efficient ways. RTM's primary business activity currently revolves around the commercial development of premium quality sensor-to-desktop data gathering systems which are used primarily, although not exclusively, in oil and gas wells. RTM management has become aware of at least one other Canadian service company that has 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. The Company is also engaged in the provision of downhole measurement services on a sub-contractor basis in Tunisia North Africa.

Results of Operations - Overview

The diversion of oil and gas development activity away from natural gas fields to oil fields in Western Canada has resulted in significantly year over year decreased quarterly revenue for RTM. Despite management spending cuts, decreased service revenue combined with increased DataTrak development spending have conspired to produce negative earnings and cash flow results for the Company so far in fiscal 2007.

The three month period ended October 31 2006 produced $225,671 in total Q3 revenue. This represented a 38% year over year revenue decrease for the third quarter. Revenue for the first nine months of fiscal 2007 was $728,795. This is a 42% year over year decrease compared to the $1,275,529 reported for the same period in fiscal 2006.

For the three month period ended October 31 2006, total expenses decreased year over year by 13% from $401,904 to $345,844. Total expenses for the nine month period decreased year over year by 3.2% from $1,320,288 to $1,364,860.

RTM reported a net loss for the quarter of $120,320 ($0.006 loss per share), as compared to a net loss of $44,067 ($0.002 loss per share) for the same three month period last year. After nine months in fiscal 2007, RTM reported a net loss of $595,632 ($0.029 loss per share) compared to a $117,113 loss over the first nine months last year.

Third quarter fiscal 2007 operations produced a cash flow deficit of $87,131. This deficit is $70,990 larger than last years third quarter cash flow deficit of $16,141. When the change in non-cash working capital is taken into account, the company recorded a net Q3 2007 cash flow deficit of $140,908 ($83,020 surplus reported in Q3 last year).

At the end of the first nine months cash flow from operations decreased from a $117,713 surplus last year to a $267,008 deficit this year. After the changes in non-cash working capital are accounted for the company reported a net nine month cash flow deficit of $350,565 this fiscal year as compared to last years net nine month cash flow deficit of $32,682.

Third quarter 2007 closed with a working capital surplus (current assets minus current liabilities) on October 31 2006 of $121,391, as compared to $622,176 on October 31 2005. Working capital surplus was $416,003 at the end of the previous fiscal year on January 31 2006.

As of October 31 2006 the company had no debt.

Revenue

Total revenue (ref. Table 1) in the third quarter of fiscal 2007 was $225,671 (Q3 fiscal 2006 - $364,232), a 37% year over year quarterly revenue decrease.

RTM's largest quarterly revenue component in Q3 2007 was $89,279 from SDO operations ($218,628 in Q3 fiscal 2006), a 59% year over year quarterly decrease in SDO revenue. The past few years SDO revenue has generally generated between 60% and 70% of total revenue.

This third quarter of 2007 has bucked the trend wherein SDO only supplied about 39% of total revenue, a dramatic decrease.

Revenue for RTM's other activities also decreased year over year. Electronic instrument rentals revenue was $48,058 ($85,801 in Q3 fiscal 2006) which represented a 44% year over year quarterly decrease. Revenue was $29,990 from data processing ($53,300 in Q3 fiscal 2006), 44% less than Q3 last year. Equipment sales provided $5,821 in revenue which is 11% less than the $6,501 equipment sales figure for Q3 2006.

The second largest revenue component for Q3 fiscal 2007 was International operations. Tunisia project revenue was $52,821, which represents 23% of total revenue for Q3. This figure cannot be compared to previous periods because the project started in Q3 2007.

Revenue results reported for the first nine months of fiscal 2007 reflect the same trend as the quarter. Nine month revenue was 42% lower at $728,795 compared to $1,275,529 over the same period last year. Nine month year over year SDO revenue was down by 52% from $865,381 (68% of total revenue) last year to $418,399 (57% of total revenue) this year. Electronic Instrument Rentals, Data Processing and Equipment Sales were each down by 31%, 36% and 65% respectively over the nine month period as compared to last year. International revenue for the nine month period was the same as Q3 because all of the $52,522 was generated in Q3.

On a dollar basis, 93% of the overall year over year quarterly revenue decrease is accounted for by decreased SDO revenue. A similar trend is reflected in the nine month results wherein, on a dollar basis, decreased SDO revenue accounted for 82% of the total revenue dip. The drop in SDO revenue experienced in fiscal 2007 is a continuation of a trend management believes began near the end of last year in December 2005 (Q4 fiscal 2006). This is the first time in RTM's history there has been a sustained quarterly year over year decrease in SDO revenue. RTM management has been expecting and waiting for many years for this development and its implications. 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 shift from gas field development to oil field development. In the Canadian market, the SDO tends to do more work in gas wells as compared to oil wells. 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 one, and possibly two, established Canadian service companies decide to try to copy RTM's SDO. This is exciting news for RTM management because it represents commercial recognition and 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 be positioned to take-up a strong position of technical leadership in this growing new business segment.

Ironic as it may seem, a significant drop in SDO revenue caused by the introduction of competition is expected to herald the next stage of development of RTM's technology platform. 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 valuable experience earned over the past ten years to ensure DataTrak is the best technology platform possible for SDO-type applications. Once commercial, the DataTrak platform will lead RTM through the transition from being the leading SDO service provider to being the number one provider of SDO-like technology to the industry. This will be a significant step for the Company.

Table 1

C$	Total Revenue	SDO	Rentals	Data Processing	Equipment Sales	International
1st nine months fiscal 2007	$728,795 **(-42%)**	$418,399 **(-52%)**	$164,258 **(-31%)**	$75,581 **(-36%)**	$18,036 **(-65%)**	$52,522
Q3 fiscal 2007	$225,671 **(-37%)**	$89,279 **(-59%)**	$48,058 **(-44%)**	$29,990 **(-44%)**	$5,821 **(-11%)**	$52,522
1st nine months fiscal 2006	$1,275,529	$865,381	$239,395	$118,627	$52,126	$0
Q3 fiscal 2006	$364,232	$218,628	$85,801	$53,300	$6,501	$0
1st nine months fiscal 2005	$780,526	$499,898	$141,219	$72,242	$67,176	$0
Q3 fiscal 2005	$241,131	$158,480	$45,846	$31,541	$5,264	$0

Expenses

Total expenses of $345,844 in the third quarter of fiscal 2007 (Q3 fiscal 2006 total was $401,904) represented a $56,060 (13%) year-over-year quarterly decrease in expenses. Total expenses for the first nine months of fiscal 2007 decreased by 3.2% from $1,364,860 last year to $1,320,288 this year.

If the non-cash expenses of Stock Based Compensation and Amortization are removed from the expense totals, expenses for the first nine months of fiscal 2007 total $991,664, which is about 13% less than last years equivalent $1,132,534 total.

Third quarter Service Division operating expenses decreased year over year by 45% from $265,532 to $144,960. This decrease is primarily due to decreased personnel and operating

expense requirements to support 52% less SDO activity. Service Division expenses for the first nine months of fiscal 2007 decreased by 34% for the same reason.

RTM incurred $54,605 (24% of revenue) in DataTrak development costs during Q3 fiscal 2007. Against this expenditure RTM received $25,869 in grant money from the Canadian Federal Government's IRAP program. During the first nine months of fiscal 2007 RTM incurred a total of $179,738 (25% of revenue) in DataTrak development costs and received $89,501 in IRAP funding. The costs incurred in DataTrak development are not recorded in the financial statements as an expense. DataTrak development costs are recorded on the Cash Flow Statement as an Investing Activity. These costs are being capitalized, deferred and will be spread over the cost of KC1 production units when commercial production begins.

The company reported no Stock Based Compensation expenses on Q3 fiscal 2007. During the first nine months of fiscal 2007, cumulative Stock Based Compensation expenses were $237,000. These expenses arose from the allocation of stock options to new Directors and new options granted to RTM employees to replace expired options. Although this expense is recorded as a cost to the Company, no money was, or will be paid by the Company to directors or employees pursuant to the issuance of these options.

Third quarter Products Division expenses increased by 6.9% from $34,403 last year to $36,830 this year. This increase arises from the re-allocation of resources away from strictly research to DataTrak production activities. The first DataTrak product, the ground-breaking KC1 is now ready for commercial production and will begin to be released to RTM's closest customers within the next few months.

International operating expenses jumped from $86 in Q3 last year to $34,489 this year. All the expenses this year arise from supporting RTM operations in Tunisia. Over the first nine months of fiscal 2007, International expenses totaled $39,805. This compares to $26,855 spent during the first nine months last year. The two nine month numbers are not truly comparable in that last year the money was spent on International business development whereas this year the money was spent on supporting revenue generating operations in Tunisia.

Q3 marketing expenses Q3 increased year over year from $6,494 to $16,686 this year. Marketing expenses for the first nine months increased by 56% year over year from $15,716 to $35,961 this year. These year over year numbers don't truly reflect RTM marketing activity in that marketing was only identified as a separate expense item in this fiscal year. The value for the previous year is an estimate. Regardless, marketing activities will be ramped-up more in the near future in anticipation of DataTrak commercial introduction.

Information Technology expenses for Q3 fiscal 2007 were recorded as $2,854 compared to last years Q3 IT expense of $1,400. IT expense total for the nine month period was $12,190 compared to $1,400 for the same period last year. This discrepancy arises primarily because prior to this year, most of RTM's IT expenses were buried in Operating Expenses.

General and Administrative expenses for the third quarter of fiscal 2007 increased by 19% from $61,939 last year to $73,605 this year. Although management was paid 30% less in Q3 this year as compared to last year, $27,042 in legal expenses and a $6,350 increase in

employee benefit costs resulted in the net $11,666 G&A increase. Over the first nine months of fiscal 2007 G&A expenses decreased by 12% year over year from $222,284 to $194,101. Most of the decrease arises from pay decreases and ongoing cost control measures implemented by RTM's dedicated personnel team.

Year over year combined quarterly amortization, public company and interest expenses increased by about 12% from $32,050 in Q3 last year to $36,520 this year. The same bundle of expenses increased by 16% year over year during the first nine months. Most of the increase is accounted for by increased Public Company expenses related to higher annual report costs and a 14% increase in amortization expenses.

Earnings and Cash Flow

Total revenue of $225,671, an insignificant cost of goods sold of $147 and total expenses of $345,844 resulted in RTM reporting a net loss of $120,320 ($0.006 loss per share) and a cash flow deficit from operations of $87,131 in the third quarter of fiscal 2007. This compares to a net loss of $44,067 ($0.002 loss per share) and a cash flow deficit from operations of $16,141 for the same quarter last year.

The net loss for the first nine months of fiscal 2007 was reported as $595,632 ($0.029 loss per share) which compares to the 117,113 loss over the first nine months of fiscal 2005. The cash flow from operations deficit for the first nine months was $267,008. For the first nine months of last year, the Company reported a cash flow surplus from operations of $117,713.

Summary of Quarterly Results

Table 2 contains selected consolidated financial information, rounded to the nearest $000's for Q3-2007 presented along side the previous fourteen quarters:

Table 2

C$,000	Net Revenue	G & A Expenses	Amort…	Operating and Other Expenses	Stock Based Comp	Net Earnings	Cash Flow from Operations
Q3-2007	226	74	33	239	0	(-120)	(-87)
Q2-2007	220	62	29	257	34	(-162)	(-99)
Q1-2007	279	58	29	302	203	(-313)	(-81)
Q4-2006	323	43	40	361	0	(-68)	(-91)
Q3-2006	358	62	28	312	0	(-44)	(-16)
Q2-2006	424	70	26	313	0	14	41
Q1-2006	465	81	27	302	152	(-95)	93
Q4-2005	247	72	30	217	0	(72)	(42)

Q3-2005	234	71	24	161	0	(23)	1
Q2-2005	200	72	25	142	0	(40)	(14)
Q1-2005	328	64	27	192	0	43	70
Q4-2004	363	93	26	174	0	71	97
Q3-2004	282	82	23	161	0	15	39
Q2-2004	166	79	24	139	0	(77)	(52)
Q1-2004	294	72	24	245	0	(47)	(23)

Like most oil and gas service companies in Canada, RTM's best quarters are generally Q1 and Q4. These quarters span the winter months when the ground is frozen and oil and gas service activity is generally at its highest levels. RTM is no exception to this pattern. In fiscal 2004, Q4 was the strongest quarter, in fiscal 2005 Q1 was the strongest, in fiscal 2006 Q1 was the best quarter and so far this year Q1 has been the best. On the "flip-side" the weakest quarters are usually Q2 and Q3. In both fiscal 2004 and 2005, the weakest quarter was Q2. Fiscal 2006 bucked the trend with Q4 being the weakest quarter. So far this year, the weakest quarter has been the more traditional Q2.

Managements analysis of Table 2 yields some interesting patterns; Over the past 14 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 six 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 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 the Companies' business plan.

Research and Development

During Q3 2007, by way of $54,605 in deferred development costs, $36,830 in product support costs, and $25,869 in IRAP grant monies from the Canadian National Research Council, RTM invested a net of $65,566 in DataTrak development. This represents 29% of RTM's revenue for the quarter. In the first nine months of fiscal 2007, RTM invested a net of $254,115 in DataTrak development, almost 35% of revenue for the period. This significant investment in DataTrak development is irrefutable evidence of RTM management's determination to successfully commercialize DataTrak. DataTrak is the fuel that will power RTM's future growth.

Liquidity and Capital Resources

On October 31 2006 the company ended Q3 fiscal 2007 with a working capital surplus (current assets – current liabilities) of $121,391. This is $117,625 less than the $239,016 working capital figure at the end of the previous quarter and $294,612 less than the $416,003 surplus recorded nine months previous at year end on January 31 2006. The October 31 2006 working capital surplus is $500,785 less than the $622,176 working capital surplus a year ago at the end of Q3 2006. The year over year decrease in Q3 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 triggered by the revenue dip experienced during the first nine months of fiscal 2007. Management has 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 October 31 2006, the company had no debt material enough to be recorded.

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, has completed the first round of live field testing. The results of the tests have been very encouraging and commercial introduction of KC1 is expected to take place in January or February 2007.

The third and most recently added line of activity is operations in North Africa. Operations are ongoing and expansion is likely once RTM has acquired the necessary capital and personnel resources to expand.

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' 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 it's 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 has taken decisive action that included voluntary temporary reductions in pay. This 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 : December 29 2006

Signed Glenn Boyd, Director, VP Operations, CFO

Signed Terry Matthews, Director, President, CEO

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

Stock Exchange	TSX Venture Exchange
Symbol	RTY
Management Team	Terry Matthews, P.Eng. : Director, President, CEO Glenn Boyd, P.Eng. : Director, V.P Operations, CFO
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