



RTM INC



2005 ANNUAL REPORT

CORPORATE PROFILE

In business since 1995, Real Time Measurements is a Canadian oil and gas service company that leads the market in the provision of selected real time field data retrieval and presentation.

RTM conducts three lines of business;

About 70% of the company’s business revolves around the development and supply of a service that gives customers access to downhole and surface pressure measurements through a secure internet portal. The service is called Smart Drop Off (SDO). Over the past six years, RTM has provided SDO services on hundreds of wells operated by oil and gas companies in Canada. SDO is generally used on a temporary basis under well testing conditions. The wells might be conventional oil and gas flowing wells, but sometimes they’re observation, Coal Bed Methane (CBM) or even water wells. The SDO combines electronic sensor technology, wireless data transmission, and proprietary secure web portal access.

The company’s other two lines of business involve oil and gas downhole electronic equipment rentals and specialized data processing services to the Canadian oil and gas business. RTM has started providing similar equipment to coiled tubing companies in Canada.

The company is now starting to use the basic technology that supports the SDO to provide an expanded array of services and products that are similar to the SDO service. Some of these include Engineered Permanent Systems (EPS), Realtime Surface Pressures (RSP) and Realtime Production Monitoring (RPM).

The company is now planning to develop a system called “DataTrak”. DataTrak is a technology platform that will enhance RTM’s ability to expand and improve the current business.

NOTICE OF ANNUAL GENERAL MEETING

3 PM, Tuesday, June 28, 2005

Peter Bawden Room
Calgary Chamber of Commerce
517 Centre Street South
Calgary, Alberta

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LETTER TO SHAREHOLDERS

It is my honour to have the privilege of presenting you with RTM’s annual report for the period ended January 31 2005.

Fiscal 2005 was a financially flat year for the company. Revenue decreased by 6%, net earnings (ignoring a \$49,904 loss from the failed BSR merger) went from a \$38K loss last year to a \$43K loss this year, cash flow increased from \$29,585 last year to \$38,604, operating expenses increased year over year from \$610K to \$639K while G & A decreased year over year from \$325K to \$280K.

Please don’t let our drab fiscal performance be viewed as a sign that RTM hasn’t made any progress. Nothing could be further from the truth. During fiscal 2005 RTM solidified its already good relationships with several loyal Canadian customers. We built a heli-portable SDO unit which has now successfully completed two challenging projects for two major Canadian oil and gas exploration companies that operate in the North West Territories. We established a formal alliance with the Alberta Research Council that increases our exposure to the rapidly expanding Coal Bed Methane (CBM) sector. The first Engineered Permanent Solutions (EPS) packages were installed in observation wells for a major operator in the rapidly expanding Fort McMurray region. RTM services are starting to be used by coiled tubing companies. A resource distracting amalgamation with Bio-Synergy Resources was attempted but eventually abandoned. The team at RTM have worked in this past year to set the stage for substantial corporate development in the coming years, and I thank them all.

Although total revenue dipped year over year by about 6%, business attached to RTM’s “flagship” based service, the Smart Drop Off (SDO), increased year over year by about 2% from \$675K to \$689K. I’m personally a bit mystified as to why SDO revenue growth was flat. We provided SDO services on a record 51 wells this past year. This is a 13% increase in the number of wells served. The answer to the mystery may lie in the depth of the wells we worked on this year. In the previous year, the average well depth we provided SDO services on was 1,479 meters. In this past year the average well was 1,231 meters deep. This is a 17% decrease in average well depth. SDO service revenue on each job is directly proportional to well depth. An increase in wells serviced combined with a decrease in revenue per well has yielded a flat final SDO revenue result. I think this is just an anomaly and do not believe the trend will continue. For the past 5 years SDO revenue has increased year over year and in the longer term, there doesn’t appear to be any end to the trend in sight.

Revenue from RTM’s two other main business lines, rentals and data processing, dipped by a combined 20% from \$429K last year to \$344K this year. I believe this is also a short term anomaly. RTM employees do an excellent job for their clients. Some customers are undergoing one form of re-organization or another, and RTM’s relationships with some key vendors are changing. Some RTM customers bought their own equipment which negatively impacted our rentals business on the short term. However, RTM is responding to these new realities with a solid strategy to take advantage of the situations presented. I am very confident that one or two years from now, the rental and data processing part of RTM’s business will be growing strongly with no end to the growth in sight.

Financially, RTM closes the year with a much stronger balance sheet as compared to last year. On a cold afternoon this past January, Octagon Capital helped RTM sell 6,664,000 units at \$0.15 each for total gross proceeds of \$999,600. The attached financial statements and www.sedar.com should be referred to for the details of the deal. This much needed growth capital will be used to support new DataTrak product development initiatives that will provide the fuel that helps accelerate RTM’s growth.

RTM sincerely appreciates the support of you, the shareholder, as we build our company. Thank you for your support of management’s decision to abandon the BSR merger. I’d also like to thank all the members of RTM staff, the Board of Directors, Legal Council, our Auditor and all our support people for their dedicated efforts in the past year. Let’s continue to work together and enjoy the exciting times that I see coming for us in the next year.

On behalf of Real Time Measurements Inc.,

Terence James Matthews, P.Eng.
President and Chief Executive Officer
May 25, 2005

Review of Operations

Introducing DataTrak

Since 1995, RTM’s primary focus has been aimed at the development of the Smart Drop Off (SDO). The SDO is now fully commercially deployed and accounts for about 70% of RTM’s revenue.

Early in RTM’s history, the SDO was thought of by RTM management as one application of a technology platform that, once developed, would have plenty of other commercial uses. Also, in those early days, the SDO was seen as a technology package that would be sold to oil and gas service companies who in turn would use the SDO to provide corresponding services to their clients. This isn’t what happened.

What actually happened was that no service companies saw value for their customers arising from the provision of SDO services. This meant that no service companies were interested in buying SDO technology. Notwithstanding what other service companies thought, RTM management believed very strongly that the benefits provided by the SDO were real and that the SDO had the potential to be an effective service that had viable commercial future. It soon became apparent that the only way RTM would be able to sustain development of the SDO technology platform was to transform RTM from being a technology development company into an oil and gas service company that specializes in the provision of SDO services in Canada.

In the past 18 to 24 months, the SDO service in Canada has matured and become operationally routine. RTM is not only solidifying a loyal SDO customer base, but the company is also carving out a steadily growing market share in the ultra competitive oil and gas service business in Canada.

Tiny as it may be by world corporate standards, through good old fashioned “word-of-mouth-marketing” RTM’s services and the corresponding technology are triggering unsolicited calls from oil and gas companies and oil and gas service companies the world over. They are all expressing sincere interest in what RTM has to offer.

RTM management has decided to invest in the development of the next generation of technology to support SDO-like services. Management has decided to use the trade name “DataTrak” to describe the new technology platform. DataTrak will encompass a technology platform that rests on a modular combination of down hole and surface sensor, wireless communications and proprietary secure internet data retrieval software. There are plenty of companies that offer various sensor technology products; There are plenty of companies that offer wireless communications packages; There are plenty of companies that provide secure internet data port services; But, very few companies offer complete sensor to desk solutions. DataTrak will be such an offering. RTM management believes this distinction will set RTM apart from the competition. The basic DataTrak platform will be designed so that it is commercially adaptable to a wide variety of applications beyond RTM’s current Smart Drop Off, Realtime Surface Pressure (RSP) and Engineered Permanent Solutions (EPS).

The Smart Drop Off (SDO)

SDO is a unique commercially proven new process for measuring reservoir pressures during well test operations. Well operators using SDO services derive two primary benefits they don’t get from other service companies; (1) high quality reservoir pressure data in real time, and (2) complete information driven control of the well testing process. These two benefits significantly reduce well testing risk. To understand the extent to which cost reductions are realized and to effectively quantify the size of the potential market for SDO services, it is necessary to understand the basics of the wireline/pressure survey services industry and then contrast traditional methods against the SDO.

Throughout the life of an oil and/or gas well, many different types of operations are performed, one of which involves reservoir pressure testing. Within the context of a discussion regarding the benefits of using SDO, the two relevant categories of operations performed on wells are “wireline services” and “pressure survey services”.

Wireline Services

Wireline services involve a wide variety of activities that require the insertion of diagnostic tools in and out of wells on the end of a special cable called a “wireline”. Wireline is stored, deployed and retrieved from oil, gas and water wells using a winch. Traditional winches are mounted in the back of a truck or trailer for land operations and on a “skid” for offshore or remote operations to which vehicles don’t have access. The wireline service industry is broken down into two broad categories, “logging”, and “slickline”. Logging involves the use of a type of wireline called a logging cable (typically 4.8mm to 11.9mm diameter) that contains one or more insulated electrical conductors. The logging cable facilitates the operation and realtime retrieval of data from a wide variety of electrically operated tools and measurement instruments suspended in the well by the logging cable. Slickline wireline services involve the use of a slickline that is smaller in diameter than a logging cable (typically 2.3 mm to 3.2mm diameter) and is composed of a solid steel wire without any electrical conductors. Slickline services involve operations that are strictly mechanical in nature.

Pressure Survey Services

Pressure survey services are generally provided by wireline companies. The term “pressure survey” represents a scientific process that specifically involves collecting and analyzing oil and gas reservoir pressure information required by well operators for prudent reservoir management. Reservoirs that require pressure surveys are at least several hundred, and often several thousand meters below the ground. Pressure survey services are most often employed under “well test” conditions. A well test is a temporary scientific procedure that can last from a few hours to several months long. In Canada most well tests last about between about five and fourteen days. During a well test the reservoir (well) will flow under controlled conditions at different rates and then the well will be shut-in (flow is stopped). The response of the pressure in the reservoir to variable flow rates yields valuable and necessary information about the reservoir and its long term production prospects.

Many different methods are employed to determine oil and gas reservoir pressures. However, all survey methods can be classified as belonging to one of two groups, “surface measurements”, or “downhole measurements”. Surface measurements involve measuring various parameters on the well at ground level. Surface measurements, plus known and estimated well parameters, become inputs to mathematical functions, which calculate the downhole reservoir pressure. Surface measurement survey methods are used mostly to save money. The drawback to surface measurement methods is the resulting low accuracy and quality of the final calculated reservoir pressures. Some regulatory authorities do not recognize the validity of reservoir pressures calculated from surface measurements. When data quality is important and credible reservoir information is required, the second method, downhole measurement, is preferred. Downhole measurement involves lowering very precise electronic instruments into the well on logging cable or slickline and positioning the instruments near the reservoir of interest. RTM’s SDO was designed to compete in this second category of well testing procedures.

Traditional Methods and Comparison of Downhole Pressure Survey Methods

Since the 1950’s there have been two methods used to measure downhole pressures utilizing wireline service technology. The first method is based on the use of a logging cable, and is referred to as surface read out (“SRO”). The second method which is more economical and more common uses slickline and is called memory read out (“MRO”).

1. Surface Read Out (SRO)

Before the well test begins, high precision electronic pressure recorders are inserted into the well on the end of a logging cable and positioned close to the reservoir of interest. The pressure recorders send their pressure readings to surface using the insulated conductor in the logging cable. At surface, the readings are displayed and recorded. The logging unit operators and the well test operators continuously monitor the pressure readings for the duration of the test. Vigilant and constant monitoring of reservoir pressures during the test allow for test timing decisions to be made on the basis of reservoir pressure information. This method provides a degree of certainty that the well test will be of sufficient duration to secure the required reservoir information while not unnecessarily delaying commercial production of the well.

2. Memory Recorders (MRO)

Prior to commencing the well test, battery powered downhole electronic memory pressure recorders are installed in the well using slickline. The recorders are usually run in pairs for redundancy protection against failure. The recorders are generally left in the well within about 30 meters of the reservoir of interest. Once the recorders are installed in the well, the slickline unit and crew leave the wellsite. Unlike SRO (and SDO), there is no connection between the recorders with surface. The battery powered downhole recorders measure and store time stamped pressure readings in electronic memory according to a pre-set program. When the well test is complete, the slickline unit returns to the well site to retrieve the recorders. Once retrieved from the well the pressure information stored in memory is downloaded to a computer and forwarded to reservoir engineers for analysis.

SDO – Re-Engineering of Downhole Pressure Surveying

RTM’s proprietary Smart Drop Off (SDO) system offers the benefits of SRO testing at a cost that is much closer to that of memory recorders. SDO is the first service that makes use of RTM’s DataTrak technology platform to provide the customer with a data real time data link between the downhole pressure instrument and a secure internet data port. The use of the latest in materials, electronics and communications technologies has also eliminated the need to maintain personnel and expensive equipment at the well site to support the service. The SDO system consists of an electronic pressure gauge placed at the reservoir suspended on the end of a custom designed, conductive cable that transmits signals from the downhole tool to surface in real time at intervals as often as every three seconds. The data from the instruments is available to anyone who is enabled to access said data through RTM’s secure website. SDO has the capacity to operate reliably under the well conditions encountered in most oil and gas wells.

In addition to the primary downhole pressure measurement, the SDO also measures downhole temperature and can measure surface production tubing pressure, surface casing annulus pressure and ambient temperature. All measured data are handled and made internet accessible in graphical and text formatted files.

The field equipment required to provide SDO services is packaged in a convenient, all-weather, self-sufficient, autonomously operating unit. The unit is mounted either on a trailer and towed to the jobsite or on skids mounted on a trailer and deployed by a hydraulic craned unit. A heli-portable unit is also in service. The SDO’s design eliminates the need to maintain personnel at the well site beyond installation and removal and minimizes the amount of equipment required, reducing capital costs. The savings are passed on to the customer to create an economically effective package.

SDO is a new tool that offers oil and natural gas well operators a re-engineered well-testing process. The linking of a sub-surface pressure recorder to the reservoir engineer’s computer in the customer’s office creates a continuous feedback loop of information. It provides the reservoir engineer with immediate test results, allowing the engineer to adjust the well’s flow rate in mid-test and select optimum timing for shutting the well in and terminating the test.

Precise test timing saves money. Although the memory-read-out method is less expensive than SDO, the savings are offset significantly when the cost of incorrect test timing is accounted for. SDO makes the traditional, expensive SRO method obsolete. Using SDO a well that was shut in for a test can be put back on production as soon as the test objectives are met.

Usually this translates into an earlier resumption of cash flow for the well operator. The SDO system costs more per day than conventional testing, creating strong revenue potential for RTM, while offering the customer significant savings potential.

SDO Operations

Fiscal 2005 represents the seventh year of continued growth of commercial operations for the SDO. For most of fiscal 2005 RTM maintained 6 Smart Drop Off units in commercial operation. SDO was used on 51 wells this past year, a new record utilization rate, representing a 13 % year over year operational usage increase over the 45 wells worked on in the previous year.

RTM Fiscal Year	Wells SDO worked on	SDO Revenue
1999	8	\$36K
2000	17	\$127K
2001	4	\$254K
2002	32	\$314K
2003	45	\$468K
2004	45	\$675K
2005	51	\$689K

Rentals and Data Processing

RTM’s rentals and data processing business experienced a 20% year over year decrease in business. A couple of factors contributed to the decline; 1) RTM’s largest rental customer bought their own equipment, decreasing their reliance on RTM rental equipment. 2) RTM’s primary vendor for the equipment RTM rents to our customers unilaterally changed the commercial arrangement between the vendor and RTM. This unexpected development forced RTM to change the commercial arrangement between RTM and out customers. The changes have a negative impact on RTM rental revenue and profitability. At this juncture, not enough time has passed to determine if the negative impact is temporary of longer lasting. RTM is exploring other options that should allow the company to secure the required equipment under more attractive terms in future. The outlook for the longer term is excellent for this part of RTM’s business as new technologies become available as RTM integrates the DataTrak platform into RTM’s data processing and rental business.

Coal Bed Methane

In the summer of 2004, RTM signed a collaborative agreement with the Alberta Research Council. The focus of the collaboration is the Coal Bed Methane (CBM) permeability measuring business. RTM has a special configuration of the SDO which is particularly well suited to CBM perm testing. ARC is aggressively pursuing a significant share of the pumping part of the CBM perm testing business. Together the two complimentary services will be able to support each other in competing for a significant slice of this rapidly growing market.

Coiled Tubing

In fiscal 2005 RTM was introduced to the coiled tubing injection business. When coiled tubing is used for injecting compressible fluids into reservoirs for fracturing or other purposes, the traditional method of measuring surface pressures and calculating downhole pressures doesn’t work. Parameters such as coil friction and variable coil geometry make the calculations unreliable. RTM is beginning to work with coiled tubing companies to measure downhole pressures on coiled tubing while pumping. At the present time RTM is supplying memory gauges on a small scale basis for recording downhole in-situ pumping pressures.

Fiscal 2005 Management Discussion and Analysis for the 12 month period ended January 31st, 2005

The following management discussion and analysis (“MD&A”) is dated May 25th, 2005 and should be read in conjunction with the consolidated financial statements and accompanying notes. RTM’s consolidated financial statements for the year ended January 31, 2005 will be filed on SEDAR and copies can be obtained at www.sedar.com.

Forward Looking Information

This report contains forward-looking information that reflects management’s expectations regarding the Corporation’s future markets, market size, performance in such emerging markets and business prospects and opportunities. Wherever possible, words such as “anticipate”, “believe”, “expect”, “intend”, and similar expressions have been used to identify this forward looking information.

Statements are based on information currently available to management and are subject to risks, uncertainties and assumptions made by management. Actual results may vary from these estimates.

Risk and Uncertainty

RTM is a relatively small company engaged in the business of providing downhole and surface oil and gas data measurements services and products to the Canadian oil and gas sector. This market is highly competitive and dominated by large multinational service companies.

The company relies heavily on the overall level of oil and gas exploration and development activity in the Western Canadian Sedimentary Basin to achieve its targeted growth plan. The level of this activity is dependent on numerous factors such as political and global economic forces far beyond management control.

Management is committed to minimizing and managing associated risks in this uncertain environment.

Highlights

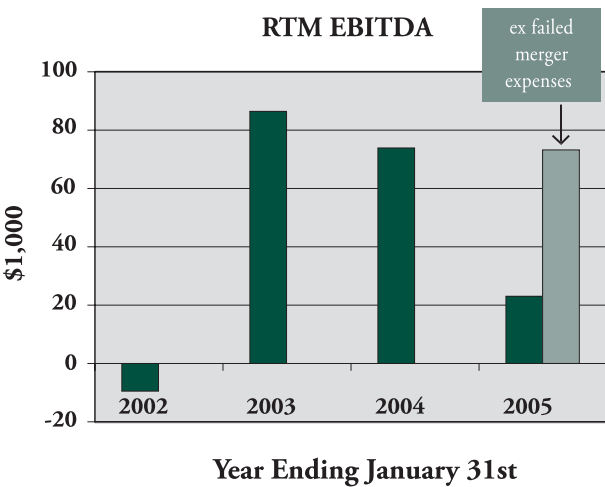
Real Time Measurements Inc. (the “Company”) achieved total revenues of \$1,032,548, and recorded a net loss of \$92,688 for 2005, compared to revenues of \$1,104,359 and a net loss of \$38,285 in 2004. The Company’s 2005 results were negatively impacted during the year by the expenses associated with the failed acquisition of a privately held company.

Management is pleased to note, that even in a reduced revenue environment, expenses were kept under control and net of the expenses associated with the failed BSR acquisition, loss per share was minimized to a modest \$0.003 per share, identical to the recorded loss in January 2004.

Excluding the expenses associated with the failed acquisition, the Company achieved virtually identical EBITDA in the year ending January 31, 2005, as in the year ending January 31, 2004.

	Year Ended January 31st	
	(\$000’s)	
	2005	2004
Total Revenues	1,032	1,104
Earnings before interest, taxes, depreciation and amortization*	23	74
Earnings before interest, taxes, depreciation and amortization* (excluding costs of failed acquisition)	73	n/a
Income after tax (loss)	(93)	(38)
Loss per share (basic and diluted)	\$0.007	\$0.003
Loss per share (basic and diluted) (excluding costs of failed acquisition)	\$0.003	n/a
Total assets at year end	1,832	1,247

*EBITDA, or earnings before interest, taxes, depreciation and amortization is calculated in the above table by adding these items back to reported net income. Management uses EBITDA as a measurement to determine the ability of the Company to generate cash from operations. EBITDA does not have a standardized meaning prescribed under Canadian generally accepted accounting standards (“GAAS”), and therefore may not be comparable with calculations of similar measures presented by other issuers. EBITDA is not intended to represent operating or net income for the period nor should it be viewed as an alternative to operating or net income or other measures of financial performance calculated in accordance with GAAS.



Nature of Business

For the past twelve month period ended January 31, 2005, the company has continued on a course set over five years ago. RTM is focused on the continued development of the SDO and associated products. RTM is also continuing to improve the marketing capacity and customer education required to support increased sales. The company completed a financing and is now in the financial position to develop its new DataTrak platform.

Results of Operations

Reflecting the overall pace of activity in the oil and gas sector and increasing market traction for its products, Management is proud to note that the Company completed the 200th SDO job during the year, with a total of 51 SDO jobs performed in the previous 12 months. A 13.3% increase from the previous year's 45 SDO jobs.

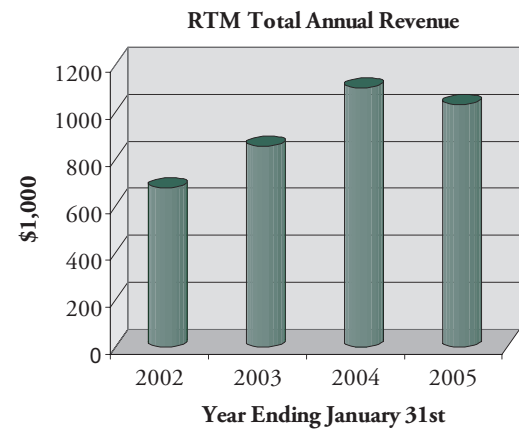
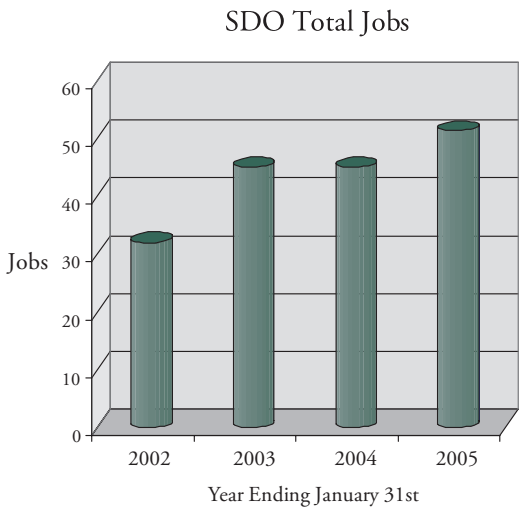
Further operational achievements were achieved with the first ever deployment and subsequent market acceptance of the heli-portable SDO (Smart Drop Off) unit by two key Canadian exploration and production companies.

Revenue

Revenue for the year ended January 31 2005 was \$1,032,548. This represents a year over year revenue dip of about 6% as compared to last years \$1,104,359.

RTM's main product line Smart Drop Off (SDO), Realtime Surface Pressure (RSP) and Engineered Permanent Systems (EPS) accounted for roughly 70% of total revenue. SDO and related services revenue increased year over year by about 2% from \$675K to \$689. Although RTM provided SDO and related services on 13% more wells this year, revenue growth was stunted by a decreased average well depth. This past year average well depth decreased by 17% from 1,479 meters as compared to 1,231 meters last year. SDO service revenue increases with well depth. Increased wells combined with decreased revenue per well has yielded a nearly flat SDO revenue result. Since commercial introduction, SDO annual revenue has increased every year. Given the strong customer acceptance rate, management sees no reason to believe the increasing revenue trend will end any time soon.

The overall 6% revenue drop is accounted for by a 20% drop in revenue from RTM's other two main sources of business, rentals and data processing. Rentals and data processing slipped by a combined 20% from \$429K last year to \$344K this year. Management believes this will turn out to be a short lived anomaly. Some RTM rental customers are undergoing one form of re-organization or another. RTM's relationship with some key vendors are changing. Some RTM customers bought their own equipment. All these factors have negatively impacted RTM rental business on the short term. Re-evaluation of the vendor supply chain and a more widespread marketing campaign will make these parts of RTM's business stronger than ever in the coming years.



Operating Margin

The Gross Operating Margin for the year was recorded at \$369,802, or 35.8% of sales compared to \$494,609 or 44.8% of sales in the previous fiscal year.

For the year ending January 31st, 2005 operating expenses were recorded at \$638,872 as compared to \$609,750 in the previous year. This 4.7% increase in operating expenses is mainly due to inflationary effects and the field operational support costs of doing 13.3% more SDO jobs.

The lower gross operating margin as compared to last year results directly from lower revenue combined with higher operating expenses. If not for the 20% decline in rentals and data processing revenue, the Gross Operating margin picture would have been similar to last year.

Management is pleased to note that General and Administrative Expenses ("G&A") for the year saw a measurable decrease. For the fiscal year ending January 2005, G&A was recorded at \$280,209, a 13.9% decline over the prior year's G&A of \$325,290. This decrease is due to improved cost control measures.

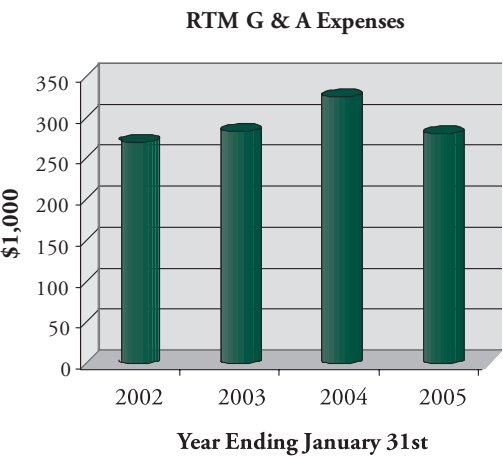
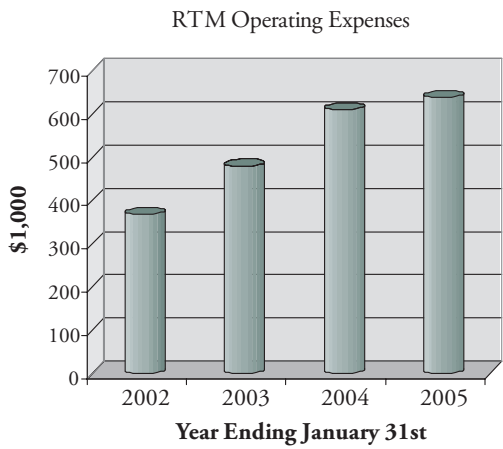
Cash Flow

Cash flow from operating activities was recorded at \$38,604 for the year ending January 31, 2005, a 30.5% increase in operating cash flow from the \$29,585 recorded in the prior year. Cash flow from financing activities yielded \$760,211 in the year ending January 31st, 2005 vs. a negative cash flow from financing activities in 2004 of (\$7,120). Cash flow from financing in the year ending January 31, 2005 reflects the equity financing concluded in January 2005 that yielded a net cash flow contribution of \$822,119.

Cash flow from investing activities in the years ending January 31st, 2005 and 2004 were recorded at (\$139,183) and (\$118,212) respectively.

Overall net changes in the cash position from all cash flow activities recorded during the year were \$659,632 for the year ending January 31st, 2005 vs. the recorded change in cash position for 2004 of (\$95,747).

Cash balance at fiscal year end 2005 was recorded at \$680,189, a \$659,632 gain over the cash balance for fiscal year end 2004 of \$20,557

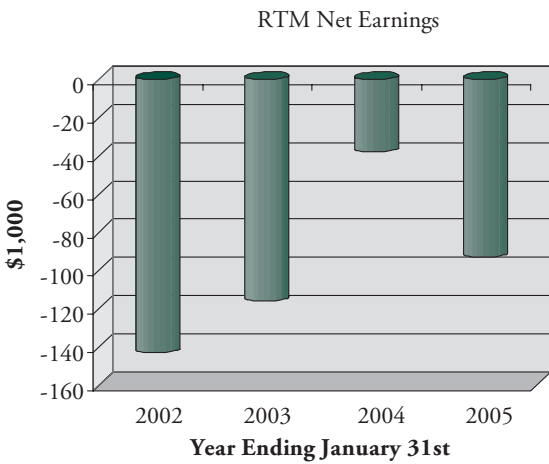


Net Loss

A net loss of \$92,688 was recorded for the fiscal year ending January 2005. This compares to the \$38,585 loss recorded in January 2004. If the one time expense related to the terminated BSR acquisition is set aside, the Company would have recorded a net loss of \$42,904 for fiscal 2005.

Net income for fiscal 2005 was negatively impacted by three primary factors; SDO revenue growth was stunted by the decreased average well depth, rentals and data processing revenue suffered a 20% drop, and the expenses associated with the terminated BSR merger. Management doesn't expect any of these negative factors to impact the company in the foreseeable future.

On a loss per share basis, fiscal 2005 recorded a \$0.007 loss per share (\$0.003 per share net of terminated acquisition costs) as compared to a per share loss in January 2004 of \$0.003.



Liquidity and Capital Resources

Working capital is defined by management to be current assets less current liabilities. The Company does not have substantial inventories, and it is not meaningful to subtract inventory from current assets prior to calculating working capital. Under the management definition, for the close of fiscal 2005 the Company had working capital of \$775,530, as compared to \$70,752 at the close of fiscal 2004.

The company believes it has sufficient working capital reserves to cover working capital requirements and conduct the product and market development required to improve growth rates for the foreseeable future.

January 2005 Equity Financing

On January 28 2005, with the help of Octagon Capital's Calgary office, the Company sold 6,664,000 "units" at a price of \$0.15 per unit. Each unit consisted of one common share and one-half of one 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.

Gross proceeds from the offering were \$996,000, with net realized proceeds of \$822,119. Readers may find additional information and all related filings online at www.sedar.com.

Summary of Quarterly Results

Selected Quarterly Data (\$000's)

				2005				2004	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Revenue	252	241	202	337	363	282	166	294	
Cost of Goods Sold	4	8	2	9	-	-	-	-	
Gross Margin	248	234	200	328	363	282	165	294	
Operating Expenses	163	150	137	188	172	152	125	161	
Income (loss) before income taxes	(73)	(23)	(40)	44	70	15	(78)	(47)	
Provision for income taxes	-	-	-	-	-	-	-	-	
Net Income (loss)	(73)	(23)	(40)	44	70	15	(78)	(47)	
Earnings (loss) per share									
(\$)- basic	(0.003)	(0.002)	(0.003)	0.003	0.005	0.001	(0.006)	(0.004)	
- diluted	(0.003)	(0.002)	(0.003)	0.003	0.005	0.001	(0.006)	(0.004)	

Certain figures in the above table have been rounded accordingly to conform to the financial statements.

The seasonal nature of the Western Canadian oil and gas service sector is readily apparent in the above table. Typically, the 2nd quarter performance is not as strong as the other 3 quarters of the year. Weather and road surface conditions during the second quarter of the year restrict access to a large number of well sites normally accessible throughout the rest of the year.

Meaningful analysis makes it imperative to take this seasonality into account. Comparisons need to be made with the comparable prior period results when developing the overall picture of operational and financial results. Thus, Q3 2005 should be referenced and compared to Q3 2004 to provide meaningful analysis.

Product Lines

Notwithstanding the continued organic growth arising from continued marketing and operational support for current product lines; RTM's future prospects will be closely linked to the development of the DataTrak technology platform. Presently, DataTrak is best characterized as a modular seamless, real time, end to end data retrieval technology/process. Management expects that if developed successfully, DataTrak will be the foundation of most future RTM products and/or services.

SDO (Smart Drop Off) is the reason RTM was incorporated nine years ago. SDO is a premium downhole and surface pressure and temperature measurement service. Through a secure internet based data port, customers are linked to a high precision electronic pressure gauge downhole in a well. The SDO service dramatically improves well test efficiency. Introduction of the DataTrak to the SDO service will enhance SDO performance.

RSP (Realtime Surface Pressure) offers all the high quality data gathering and internet data accessibility features of the SDO, except that only surface pressures and temperatures are measured.

EPS (Engineered Permanent Systems) use the same technology package as SDO and RSP, however unlike SDO and RSP which are portable solutions and easily mobilized and deployed, EPS is permanently mounted in a well. Once developed, the DataTrak platform will greatly enhance the number of applications EPS will be suitable for. RTM has installed a number EPS solutions for heavy oil applications.

CTD (Coiled Tubing Deployed) is a new part of RTM’s business. With industry partners, RTM is contemplating the co-development and co-marketing of several products related to real time data retrieval in the coiled tubing environment.

Outlook

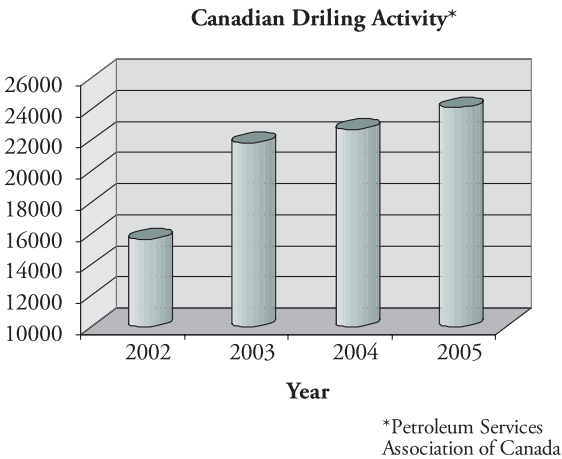
Reporting in January 2005, PSAC (The Petroleum Services Association of Canada) advises, “2005 will be another record year for oil and gas drilling activity in Canada. The PSAC Forecast Update predicts a total count of 24,075 wells drilled in 2005. This eight percent increase in wells drilled over 2004 is due to a number of factors, including an expected jump in coal bed methane activity.”

RTM is well positioned to take advantage of this high level of continued activity in the oil and gas sector. RTM revenue has demonstrated an overall strong correlation to overall drilling activity in Western Canada and the continued discipline and focus of the management team should provide enhanced sales and marketing opportunities in this active environment.

Two initiatives under way further strengthen the Company’s position in therapidly growing coal bed methane market;

One initiative is a recently executed Alberta Research Council mutual collaboration agreement for co-marketing of “in-situ permeability measurements of unconventional natural gas resources” specifically coal bed methane.

The second is a potential collaboration being contemplated with a local provider of coiled tubing services that specifically targets the coal bed methane market.



FINANCIAL STATEMENTS

Auditor’s Report
To the Directors of Real Time Measurement Inc.

We have audited the balance sheets of REAL TIME MEASUREMENTS INC. as at January 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit in cludes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta,
May 16, 2005

MPG
Chartered Accountants

Balance Sheet

As at January 31

	Note	2005	2004
		\$	\$
Assets			
Current Assets			
Cash		680,189	20,557
Accounts receivable		227,977	289,718
Inventory		2,110	7,601
Prepaid expenses and deposits		12,251	9,166
		922,527	327,042
Equipment	3	909,259	919,826
		1,831,786	1,246,868
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		111,777	191,342
Term loan payable, current portion	4	7,239	6,900
Obligations under capital leases, current portion		29,981	58,048
		148,997	256,290
Term loan payable, net of current portion	4	16,249	23,488
Obligations under Capital Leases, net of current portion	5	13,349	43,330
		178,595	323,108
Shareholder’s Equity			
Share Capital	6	2,662,867	1,984,348
Contributed Surplus	7, 9	143,600	-
Deficit		(1,153,276)	(1,060,588)
		1,653,191	923,760
		1,831,783	1,246,868

Director

Director

Statement of Operations and Deficit

For the years ended January 31

	Note	2005	2004
		\$	\$
Revenue			
Services, rentals and sales		1,032,548	1,104,359
Cost of Goods Sold		23,874	-
		1,008,674	1,104,359
Expenses			
Operating		638,872	609,750
General and administrative		280,209	325,290
Amortization		107,740	98,730
Public Company costs		25,302	24,048
Interest on long term debt		8,166	13,600
Bad debt (recovered)	10	(8,411)	71,526
		1,051,878	1,142,944
		(43,204)	(38,585)
Interest Income		300	300
Loss before the following		(42,904)	(38,285)
Costs of Failed Acquisition	13	(49,784)	-
Loss before income taxes		(92,688)	(38,285)
Income Taxes	8	-	-
Loss for year		(92,688)	(38,285)
Deficit, beginning of year		(1,060,588)	(1,022,303)
Deficit, end of year		(1,153,276)	(1,060,588)
Loss per Share (Basic and Diluted)	6		
on loss		(0.007)	(0.003)
on loss excluding costs of failed acquisition		(0.003)	(0.003)

Statement of Cash Flows

For the years ended January 31

	Note	2005	2004
		\$	\$
Operating Activities			
Net Income (loss)		(92,688)	(38,285)
Non-cash item			
Amortization		107,740	98,730
Cash flow from operations		15,052	60,445
Change in non-cash working capital	9	23,552	(30,860)
		38,604	29,585
Financing Activities			
Payments on term loans		(6,900)	(6,030)
Payments on obligations under capital leases		(58,048)	(55,765)
Insurance of share capital		999,600	69,159
Share insurance costs	9	(177,481)	(14,484)
Change in non-cash working capital	9	3,040	-
		760,211	(7,120)
Investing Activities			
Purchase of equipment		(97,173)	(121,992)
Change in non-cash working capital	9	(42,010)	3,780
		(139,183)	(118,212)
Increase (decrease) in cash for year		659,632	(95,747)
Cash, beginning of year		20,557	116,304
Cash, end of year		680,189	20,557
Supplementary transactions	9		
Non-cash transactions	9		

Notes to Financial Statements

January 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 preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The statements have, in management’s opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Inventory

Inventory is carried at the lower of cost and net realizable value determined on an item-by-item basis.

(b) Equipment and Amortization

Equipment is recorded at cost. Amortization thereof is recorded using the declining balance method at the following annual rates

Field equipment	20% in the first year; 10% thereafter
Office equipment	20% to 30%
Shop equipment	20%
Vehicles	30%

(c) Impairment of Long-Lived Assets

The Company evaluates the carrying value of its equipment on an ongoing basis. In order to determine whether an impairment exists, management considers factors such as expected future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the equipment. Any permanent impairment in the carrying value of the equipment is charged against earnings in the period the impairment is determined.

(d) Research and Development

The Company expenses all research costs. Where there is a reasonable assurance of recovery, development costs are deferred and amortized over the anticipated income stream of the related product. Research and development investment tax credits are recorded when received.

(e) Income Taxes

The Company records income taxes using the liability method of accounting for income taxes. Under this method, future income taxes are based on the differences between assets and liabilities reported for financial reporting purposes and those reported for income tax purposes. The future income taxes are measured using substantially enacted rates and laws that will be in effect when the differences are expected to reverse. The effect on future income taxes of a change in tax rates is recognized in net income in the period in which the change occurs.

(f) Revenue Recognition

Revenue is recognized and invoiced as services are performed.

(g) Per Share Amounts

Basic earnings per share are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options to purchase common shares were exercised. The Company uses the treasury stock method of to determine the dilutive effect of options. Under this method, only options having an exercise price less than the market price are included in the weighted average number of common shares. It is also assumed that the proceeds of exercise of those options are used to repurchase the Company’s common shares at the average market price experienced during the reporting period. The weighted average number of common shares is reduced by the number of common shares which could have been repurchased.

(h) Stock Based Compensation

Stock-based awards that call for settlement in cash or other assets are measured and recognized using a fair value based method. Awards that the Company has the ability to settle in stock are recorded as equity. Under the fair value method, compensation expense is recorded based on the fair value of the options as estimated using the Black-Scholes option pricing model. The amount of compensation cost so determined is credited to contributed surplus. Upon exercise of the options, the cash payments together with the related contributed surplus are credited to share capital. If options are forfeited, the compensation expense is reversed in the year of forfeiture. If options are not exercised, the amount remains in contributed surplus.

3. Equipment

Value	2005		
	Cost	Accumulated Amortization	Net Book
	\$	\$	\$
Field equipment	1,179,703	464,938	714,765
Office equipment	117,918	77,896	40,022
Shop Equipment	16,640	6,543	10,097
General Vehicle	42,323	9,055	33,268
	1,356,584	558,432	798,152
Field equipment under capital lease (note 5)	186,832	75,725	111,107
	1,543,416	634,157	909,259

Value	2004		
	Cost	Accumulated Amortization	Net Book
	\$	\$	\$
Field equipment	944,886	335,357	609,529
Office equipment	113,803	66,128	47,675
Shop Equipment	12,928	5,797	7,131
General Vehicle	42,323	5,510	36,813
	1,113,940	412,792	701,148
Field equipment under capital lease (note 5)	332,303	113,625	218,678
	1,446,243	526,417	919,826

Field equipment at January 31, 2005 includes equipment, having a cost of \$21,837 (January 31, 2004 - \$35,428, which was under construction and therefore not available for use. Accordingly, this equipment was not subject to amortization.

4. Term Loan

	2005	2004
	\$	\$
Chrysler Finance Canada		
Bearing interest at 4.8% per annum, repayable in monthly instalments of \$684 and maturing February 28, 2008. Payments commenced march 31, 2003. Secured by a vehicle.	23,488	30,388
Less current portion	(7,239)	(6,900)
	16,249	23,488
Principal repayments due under the terms of the loan are as follows:		
Years ended January 31	\$	
2006	7,239	
2007	7,594	
2008	7,697	
2009	688	

5. Obligations under Capital Leases

The Company is indebted under the terms of capital leases for field equipment (Note 3), as follows:

	2005	2004
	\$	\$
Lease bearing interst at 9.0 % per annum, repayable in blended monthly instalmentsof \$2,727 and maturing June 11, 2006	46,384	32,099
Lease bearing interest at 9.0% per annum, repayable in blended monthly instalments of \$2,925 and maturing December 26, 2004		79,112
Total minimum lease payments	46,384	111,211
Less interest included therein	(3,054)	(9,833)
Balance of obligations	43,330	101,378
Less Current portion	(29,981)	(58,048)
	13,349	43,330

Principal repayments due under the terms of the leases are as follows:

Years ended January 31	\$
2006	29,981
2007	13,349

6. Share Capital

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

	#	\$
Common Shares		
Balance, January 21, 2003	12,877,075	1,929,673
Issued on amalgamation with Dynasty Hospitality Ltd.	333,333	69,159
Costs of issuance		(14,484)
Balance, January 31, 2004	13,210,408	1,984,348
Issued for cash	6,664,000	996,268
Costs of issuance (Note 9)		(321,081)
Balance, January 31, 2005	19,874,408	2,659,535
Common share purchase warrants		
Balance, January 31, 2003 and 2004	-	-
Issued for cash	3,332,000	3,332
Balance, January 31, 2005	3,332,000	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.

Acquisition of Destiny Hospitality Ltd.

Effective March 21, 2003, the Company acquired all of the issued and outstanding shares of Destiny Hospitality Ltd., a company whose shares were listed on the TSX Venture Exchange. The companies were amalgamated immediately following the acquisition. Under the terms of the acquisition, the former shareholders of Destiny received 333,333 common shares of the Company and all outstanding options of Destiny were cancelled. Net assets of Destiny, at the date of acquisition, were \$69,159 and consisted of cash, accounts receivable and accounts payable.

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, 2003	1,277,708	\$0.240
Granted	-	-
Exercised	-	-
Forfeited following resignation of directorships	(160,000)	\$0.250
Balance, January 31, 2004 and 2005	1,117,708	\$0.238

Outstanding options under the plan are as follows:

Expiry	Exercise Price	Outstanding and Exercisable	Weighted Average Remaining Life (years)
February 6, 2006	\$0.25	1,017,708	1.0
November 14, 2006	\$0.12	1 00,000	1.8
	\$0.12 to \$0.25	1,117,708	1.1

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 of January 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, 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 January 31, 2005, 72,414 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:

	2005	2004
Basic	13,283,239	13,166,572
Diluted	13,283,239	13,166,572

7. Contributed Surplus

Contributed surplus represents compensation cost, of \$143,600, related to the agent’s options described above and was estimated on the date of grant as follows:

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

8. Income Taxes

Provision

The provision for income taxes varies from the amount which would have been computed by applying the combined federal and provincial tax rates to the Company’s income before income taxes. This difference results from the following items:

	2005	2004
Combined federal and provincial tax rates	33.78%	36.53%
	\$	\$
Loss before income taxes	(92,688)	(38,285)
Expected income tax recovery	(31,000)	(14,000)
Non-deductible portion of costs of failed acquisition	4,000	-
Share issuance costs deductible for income tax purposes	(108,000)	-
Other	(4,000)	2,000
Benefit of non-capital losses forfeited	38,000	21,000
Effect of decrease in statutory tax rate	34,000	32,000
Change in valuation allowance	67,000	(41,000)
	-	-
Futire income tax		
	2005	2004
	\$	\$
Future tax liabilities	-	-
Future tax assets		
Excess of tax values of equipment over carrying values	188,000	164,000
Excess of tax values of costs of failed acwuisition over carrying value	13,000	-
Share insurance costs	157,000	47,000
Scientific research and experimental development expenditures	52,000	56,000
Losses for income tax purposes	114,000	190,000
	524,000	457,000
Less valuation allowance	(524,000)	(457,000)
Net future income tax	-	-

Losses and other tax pools

The Company has losses of approximately \$339,400, which can be utilized to reduce taxable income in future years. These losses expire as follows:

Year ended January 31	\$
2006	234,300
2007	20,800
2008	84,300

The Company also has tax pools of approximately \$1,528,200 and Scientific Research and Experimental Development Expenditures of \$153,725 available to reduce taxable income in future years.

9. Cash Flow Information

Details of changes in non-cash working capital balances, supplemental cash flow information and non-cash transactions excluded from the statements of cash flows are:

	2005	2004
Changes in non-cash working capital	\$	\$
Operating activities		
Accounts receivable	61,741	(91,032)
Inventory	5,491	(7,601)
Prepaid expenses and deposits	(3,085)	373
Accounts payable and accrued liabilities	(40,595)	67,400
	23,552	(30,860)
Financing Activities		
Accounts payable and accrued liabilities	3,040	-
Investing activities		
Accounts payable and accrued liabilities	(42,010)	3,780
Supplemental cash flow information		
Interest paid	8,166	13,600
Income taxes paid	-	-
Non-cash transactions		
Stock based compensation included in share issuance costs and contributed surplus	143,600	

10. Bad Debt

The bad debt and recovery relate to services rendered during the first quarter of the year ended January 31, 2004. Management is pursuing all available remedies in order to collect this amount; however, the customer is in financial difficulty and it is not possible to determine the ultimate amount which the Company may recover.

11. Commitments

The Company is obligated under the terms of a lease for premises, which expires September 30, 2005, and two leases for vehicles, which expire January 9, 2007 and January 12, 2009. Minimum annual payments required under the terms of the leases are:

2206	20,573
2007	11,130
2008	8,593
2009	7,877

12. Financial Instruments

The Company’s financial instruments consist of cash, accounts receivable, inventory, prepaid expenses and deposits, accounts payable and accrued liabilities, long term debt (term loan and obligations under capital leases). The Company’s management has utilized valuation methodologies available as at the year-end and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases.

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company conducts regular reviews of its existing customers’ credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The Company is not exposed to interest rate risk as interest on all of its term obligations (Notes 5 and 6) is calculated using fixed rates.

13. Failed Acquisition

During the year ended January 31, 2005, the Company entered into an agreement to purchase all of the issued and outstanding common shares of a private company. Upon completion of the acquisition, the companies were to be amalgamated. As a part of the transaction, the Company was to undertake an equity financing of a minimum of \$1,200,000. This transaction was not completed. Cost of failed acquisition includes legal, regulatory, audit and other costs incurred with respect to the proposed transaction.



CORPORATE INFORMATION

DIRECTORS

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Businessman, Sexsmith, Alberta

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Calgary, Alberta

Terry Matthews, P.Eng.
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Businessman, Calgary, Alberta

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(1) Audit committee member
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Chief Financial Officer

AUDITOR

Stan Peloski
MPG Chartered Accountants
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BANK

Canadian Western Bank
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SOLICITOR

David Heighington, Heighington Law Firm
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol : RTY