

***REAL TIME MEASUREMENTS INC***

***MANAGEMENT DISCUSSION and ANALYSIS***

***Fiscal 2009***

***For the 12 month period ended January 31 2009***

AUGUST 12 2009





**REAL TIME MEASUREMENTS INC.**  
**Management Discussion and Analysis**  
**for the 12 month period ended January 31<sup>st</sup>, 2009**

The following management discussion and analysis (“MD&A”) is dated August 12<sup>th</sup> 2009 and should be read in conjunction with the companies’ financial statements and accompanying notes. RTM’s financial statements for the year ended January 31, 2009 and this MD & A will be filed on SEDAR and copies can be obtained at [www.sedar.com](http://www.sedar.com).

***Forward Looking Information***

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

***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to provide reasonable assurances that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), and that management has evaluated the effectiveness of the Corporation’s disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and has concluded that such disclosure controls and procedures are effective. However, management does not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors or fraud. An economically feasible control system, no matter how well conceived or operated, can provide only provide reasonable, not absolute, assurance that the objectives of the control system are met.

***Internal Controls over Financial Reporting***

The CEO and CFO of Real Time Measurements are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The company assessed the design of its internal control over financial reporting as of January 31, 2009. During this process, management identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff at RTM, it is not economically feasible to achieve complete segregation of incompatible duties.
- Due to the limited number of staff, RTM does not have a sufficient number of financial personnel with the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in internal controls over financial reporting result in the possibility that a material misstatement may not be prevented or detected. Management and the board of the directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

## ***Risk and Uncertainty***

Demand for the company's products and services, depends largely on the level of spending by oil and gas companies for exploration, development and production activities worldwide. There have been significant industry wide and local increases and decreases in the level of spending by oil and gas companies in the past couple of years and this trend is generally expected to continue. However, no assurance can be given by anyone that any activity level will be maintained, increase or decrease or that the demand for the company's products and/or services will reflect the level of overall spending by oil and gas companies. As well, oil and gas company spending levels depend in large measure upon oil and gas prices which are affected by local and/or international factors or by Government regulations which cannot be accurately predicted. If oil and gas prices decrease or fail to meet expectations, or increase and exceed expectations, oil and gas company spending and therefore oil and gas service company activity levels may increase or decrease or stay the same, any of which may have a material adverse effect on the company's operations and financial condition. At present, oil and gas service activity in Canada is at a level the industry would generally consider to be low, certainly compared to the past 10 years. No assurance can be given that this trend will or will not continue.

The company's business prospects are subject to the seasonal nature of oil and gas service company activity in Western Canada and the rest of the world. In certain jurisdictions oil and gas service activity can be significantly impacted by seasonal weather conditions. Accordingly, the company's revenue will be impacted any time oil and gas service industry activity is attenuated due to seasonal weather conditions. Oil and gas service 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 adverse effects indirectly related to customer 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 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 or afford insurance against all possible losses. Interruptions and delays caused by adverse weather conditions, equipment failures and other events within or beyond the companies' control can also significantly adversely affect the company's future prospects.

The company does not have patents on 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 some of the company's equipment and services have been operating successfully in the oil and gas industry for more than ten years, the company has done so with limited equipment capacity for a relatively small number of customers in Canada and abroad. If and when additional equipment is built or purchased and utilized by various 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 RTM products or services.

RTM was named as the defendant in a civil lawsuit in July 2005. The lawsuit was filed against RTM by Spartek Systems of Sylvan Lake Alberta. Since the statement of claim was filed, management has taken all necessary prudent and diligent steps to ensure the company's best interests are looked after in this matter. RTM management believes the company will prevail in the legal action. Other than the unpredictable but unavoidable impact caused by the diversion of working capital away from normal operations to pay legal fees, and the negative risk perception created by the law suit, management believes the lawsuit will not have a material impact on present or future prospects of the company. Additional details regarding the lawsuit are disclosed in Note 19 in the accompanying Financial Statements.

The company may require additional financing in order to grow or sustain its operations. It's possible the required future financing will not be available when needed, or if available, will not be available on favourable terms. If the company requires financing, and the required financing is unavailable when needed, the companies' future prospects could be jeopardized.

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

### ***Critical Accounting Estimates***

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.

With regards to revenue recognition, revenue is recognized and invoiced as services are performed or when title to products is transferred to the customer.

Development costs are expensed in the period in which they are incurred except when a specific set of criteria are met as set out in Note 2 of the accompanying Financial Statements. When a development project meets the criteria for deferment, the development costs are deferred to the extent that their recovery can reasonably be regarded as assured. Amortization of development costs deferred to future periods commences with commercial production or use of the product or process and is charged as an expense on a systematic and rational basis by reference, where possible, to the sale or use of the product or process.

Accounting policies regarding Inventories, Equipment and Leaseholds, Impairment of Long-Lived Assets, Measurement Estimates, Research and Development, Income Taxes, Revenue Recognition, Per share Amounts, Stock Based Compensation and Foreign Currency are described in Note 2 of the accompanying Financial Statements.

### ***Changes in Accounting Policies***

On February 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

**Capital Disclosures (CICA Handbook Section 1535):** This standard specifies requirements for disclosing information regarding an entity's objectives, policies and procedures for managing capital, including disclosure of any externally imposed capital requirements, and the consequence of non-compliance with such requirements.

**Financial Instruments – Disclosures and Presentation (CICA Handbook Sections 3862 and 3863):** The standards require an increased emphasis on disclosures regarding the nature and extent of risk arising from financial instruments and how the risks are managed.

**General Standards of Financial Presentation (CICA Handbook Section 1400):** The standard requires management to assess and disclose the ability of the Company to continue as a going concern (please refer to Note 1 in the accompanying Financial Statements).

**Inventories (CICA Handbook Section 3031):** This standard provides revised guidance on the measurement of cost and cost formulas for inventories, and increased disclosures.

As a result of the adoption of this standard, equipment and leaseholds now include a parts inventory that will be used in the assembly and repair of field equipment. The cost of the parts is not amortized. If used for repairs, the cost of the parts is expensed when consumed. The adoption of this accounting standard resulted in reclassification of parts inventory to equipment and leaseholds, as described in Note 3 of the accompanying Financial Statements. Inventories now include only items in the nature of shop supplies.

## ***Future Changes in Accounting Policies***

**Goodwill and Intangible Assets (CICA Handbook Section 3064):** Effective for fiscal years beginning on or after January 1, 2009, the Company will be required to adopt this standard which replaces GAAP section 3062 and 3450 and provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of this standard.

**Transition to International Financial Reporting Standards:** The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

### **Business Combinations, Consolidated Financial Statements and Non-Controlling Interest**

In January 2009, the CICA issued new Handbook Section 1582, “Business Combinations”, Section 1601 “Consolidations”, and Section 1602 “Non-controlling Interests”. These three new sections replace Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” as well as establishing a new section for accounting for a non-controlling interest in a subsidiary.

Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value on the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January, 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to IAS 27, “Consolidated and Separate Financial Statements” (January, 2008).

Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. Management is of the opinion there will be no material impact

### ***Off Balance Sheet Arrangements***

Real Time Measurements Inc. does not employ any off balance sheet arrangements.

### ***Related Party Transactions***

The Company had the following related party transactions conducted in the normal course of business and measured at the exchange amounts for the years ended January 31, 2009 and 2008.

The Company is indebted pursuant to a term loan arrangement with Abbet International Ltd. (“Abbet”), as described in Note 9. Abbet is controlled by an individual who is a director and officer of the Company, and his spouse, who is an employee of the Company.

Interest of \$5,122 was paid during the year ended January 31, 2009 (\$8,671 – January 31, 2008) and is included in interest on long term debt on the statements of operations and comprehensive loss and deficit.

Effective February 29, 2008, the Company entered into a License Agreement with a non-resident corporation of which an officer and director of the Company is a shareholder. The Agreement is perpetual and relates to technologies developed by the non-resident corporation (Note 6). Consideration for the Agreement was \$50,000 US (\$48,940 CAD). The Agreement provides for the Company to pay a royalty of 4% of net revenues arising from the use of the licensed technologies. No royalties are payable as of January 31, 2009.

### ***Share Capital***

The Company is authorized to issue an unlimited number of common shares, preferred shares and common share purchase warrants.

As of the fiscal year end effective January 31 2009, the Company's outstanding common share balance was 31,283,172 which represents \$3,646,024 in shareholders equity compared to 27,435,172 outstanding and \$3,446,098 in shareholders equity at the end of the previous fiscal year. With reference to Note 22 in the accompanying Financial Statements and the Subsequent Event section of this MD&A; Subsequent to the January 31 2009 year end, the company issued an additional 6,849,334 common shares for gross proceeds of \$205,480 pursuant to a non-brokered Private placement financing program. If the aforementioned private placement financing program is accounted for, as of the writing of this MD&A the total number of shares outstanding is 38,132,506 with a corresponding \$3,821,367 in common share capital.

The Company has never issued any preferred shares.

As of the fiscal year end effective January 31 2009, the Company's common share purchase warrant balance was 1,915,000 representing \$3,830 in shareholder equity compared to 409,383 warrants representing \$819 in shareholders equity at the end of the previous fiscal year. With reference to Note 22 in the accompanying Financial Statements and the Subsequent Event section of this MD&A; Subsequent to the January 31 2009 year end, the company issued an additional 3,424,667 common shares purchase warrants valued at \$0.002 per full warrant for \$13,699 in shareholder equity pursuant to the non-brokered Private placement financing program. If the aforementioned private placement financing program is accounted for, as of the writing of this MD&A the balance of common share purchase warrants is 5,339,667 with a corresponding \$17,529 in share capital.

For a full accounting of the equity structure of the Company please refer to Note 12 of the accompanying Financial Statements.

### ***Financial Instruments***

As per Note 2 in the accompanying Financial Statements the Company's financial instruments consist of cash (operating overdraft), accounts receivable, accounts payable and accrued liabilities and term loans payable. 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 review 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. For the year ended January 31 2009, the Company has declared a Bad debt expense allowance of \$26,500 to account for receivables stemming from one customer.

The company makes use of a bank overdraft line of credit. The interest paid on the line of credit is a floating rate based on the prime interest rate, and therefore the Company is exposed to an interest rate risk on the line of credit.

The Company is not exposed to interest rate risk as interest on its term loan obligations is calculated using fixed rates.

### ***Nature of Business***

Real Time Measurements Inc. is an independent Canadian company with its head office in Calgary Alberta. The company provides various products and services to the oil and gas industry in Canada and abroad. 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. For most of its history, RTM's primary business activity has revolved around the commercial development of specific applications of a sensor-to-desktop data platform called DataTrak which is used primarily in oil and gas wells.

The most proven commercial application of the DataTrak platform is called Smart Drop Off (SDO). SDO provides customers with a secure internet based data port that links them to a high precision electronic pressure gauge downhole in a well. The SDO sensor-to-desktop system dramatically improves well test operational efficiency and quality. RTM was the first company in the world to offer a service like SDO. Management is aware of at least two other Canadian oil and gas service companies that are offering a service that appears to compete with RTM's SDO.

In response to the significant slowdown in SDO, and indeed overall oil and gas service company activity, in western Canada, management decided to move the SDO equipment from Calgary to Bakersfield California where the SDO is now offered to oil and gas companies on a sub-contract basis through a local independent private service company in Bakersfield.

RTM has invested considerable effort in the development of the DataTrak technology platform. DataTrak represents a range of future RTM products and services. The first DataTrak product which is now in commercial production is the innovative KC range of downhole electronic memory pressure/temperature recorders. The KC-2 (replaced the KC-1), KC-75 and KC-Q variations of the innovative and unique KC design are now being manufactured by RTM and being used by customers in several countries. The KC range of tools form the basis for RTM's equipment rental business in Canada and the US.

The company is pursuing growth opportunities outside Canada. During fiscal 2008, the surface readout (SRO) pressure surveying and logging (PL) equipment service business dried-up in North Africa. The equipment and personnel were moved to Mexico where the same services were again offered on a sub-contract basis to the state owned oil and gas production company Pemex. RTM management intends to continue pursuing exciting business growth opportunities outside Canada.

## Financial and Operational Performance

### Overview

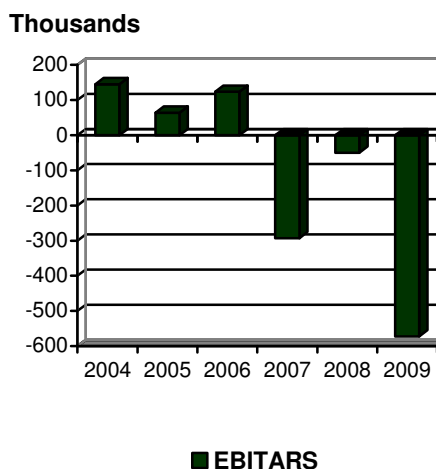
Real Time Measurements Inc. reported total revenues of \$627,847 in fiscal 2009. This represents a 45% decrease over the previous years total revenue figure of \$1,138,711. Total expenses for the period were \$1,806,063 which was 21% higher than last years total expense figure of \$1,490,255. After accounting for all expense items, the company recorded a net loss of \$1,178,216 in fiscal 2009, compared to last year's net loss of \$351,544. This year's net loss was \$0.038 per share compared to last year's \$0.014 loss per share.

Year Ended January 31

	2009	2008	2007
Revenue	627,847	1,138,711	976,557
Operating (services, products, marketing, COGS)	789,594	821,376	959,513
Gross Operating Margin	-161,747	317,335	17,044
General and Administrative + Public Company	410,746	367,057	309,628
EBITARS*	-572,493	-49,722	-292,584
Net Loss after operating, amortization, Development, Stock based compensation, IT, Bad debt, Foreign exchange	-1,178,216	-351,544	-667,676
Loss per share (basic and diluted)	\$0.038	\$0.014	\$0.032
Working Capital at Year end	-220,095	23,696	74,281
Total Assets at Year end	1,798,977	1,791,229	1,666,537

The Gross Operating Margin (net revenue – operating expenses + COGS) for fiscal 2009 was -161,747 which contrasts poorly with the Gross Operating Margin of last year which was \$317,335.

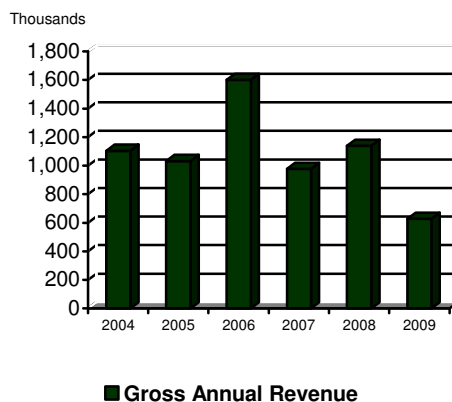
If the expenses associated with Interest, Taxes, Amortization, Research and Development, Stock Based Compensation, IT, Bad Debt and foreign exchange are removed from the earnings calculation, the company reported a negative EBITARS\* (see note below) of -\$572,493. This represents a significantly decreased financial performance when compared to the EBITARS figure of -\$49,722 for last year.



*\*EBITARS, or "Earnings Before Interest, Taxes, Amortization, Research and development, Stock based compensation, IT, Bad debt, and Foreign Exchange is calculated in the above table by adding these items back to reported net income. Management uses EBITARS as a measurement of the company's performance at the most basic operational level. EBITARS has no standardized meaning prescribed under any generally accepted accounting principles, and therefore should not be used as an indicator to compare the company with other companies. EBITARS 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.*

## Revenue

Total revenue for the year ended January 31 2009 was \$627,847. This represented a year over year revenue decrease of \$510,864 or about 45% when compared to last years total revenue of \$1,138,711.



About half the precipitous year over year revenue drop is accounted for by the virtual evaporation of revenue stemming from RTM's Smart Drop Off (SDO) services in Canada. SDO revenue decreased year over year from \$330K last year to just \$27K this year. Although oil and gas service activities were low, the virtual disappearance of Canadian oil and gas company interest in using SDO services during fiscal 2009 took RTM management by surprise. The lack of activity left management with no choice but to find another market for the SDO equipment. In November 2008 most of the SDO equipment was moved to Bakersfield California where it is now operating under a sub-contract agreement between RTM and a local independent private service company. Some of the equipment used to support the SDO services in Canada was divested to a Canadian service company in exchange for a debenture note and some equity in the service company.

The other half of the steep year over year RTM revenue decline is accounted for by the decrease in revenue from overseas subcontract logging services which dropped year over year by 80% from \$438K in fiscal 2008 to \$88K in fiscal 2009. During the course of fiscal 2009, the equipment and personnel assigned to the overseas subcontract logging part of RTM's business were moved from North Africa to Mexico based on a commitment by a Mexican service company to use about \$720,000 worth of RTM subcontract logging services. The \$88K in overseas revenue reported in fiscal 2009 stems from the aforementioned Mexico contract. Some work was also conducted in early fiscal 2010, however as of the date of this MD&A all work under the contract has ceased with no prospect for restarting of the work.

Not all segments of RTM's revenue reported a year over year decrease. Powered by the introduction of RTM's innovative line of KC downhole electronic memory recorders, RTM product sales increased year over year by a substantial 530% from \$33k in the previous year to \$207K in this past year. Management is now focusing most of RTM's efforts on the further development of the market for RTM products.

Revenue Source	2009	2008	\$ Change	% Change
SDO Services	27K	330K	-303K	-92%
International Services	87K	438K	-351K	-80%
Product Sales	207K	33K	+174K	+530%
Rentals	219K	231K	-12K	-5%
Data Processing	87K	105K	-18K	-18%
Other	1K	2K	-1K	-
<b>TOTAL</b>	<b>\$628K</b>	<b>\$1,139K</b>	<b>-511K</b>	<b>-45%</b>

Electronic instrument rental revenue decreased year over year by \$12K, or 5%, from \$231K last year to \$219 this year. This modest decrease was a reflection of the decreased business being done in the oil and gas business in Canada. However this uninteresting revenue pattern masks the real story for RTM. In the previous year, fiscal 2008, only 30% of the rental revenue was generated by rental of KC tools manufactured by RTM. In fiscal 2009, 100% of the rental revenue was generated by KC tools manufactured by RTM. This is a significant development and it shows the direction RTM business development is headed.

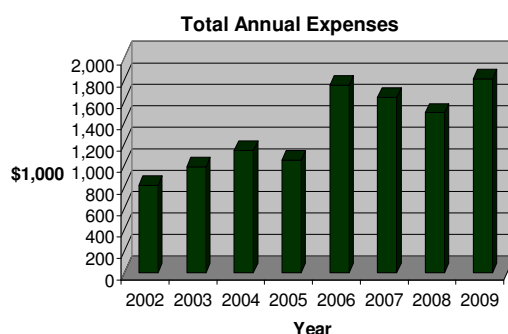
Data processing revenue slipped downward year over year from \$105K to \$87K which represented a 19% decrease. As indicated by the Canadian drilling rig count (below), activity in the services sector of the oil and gas business appears to be retreating from the high levels experienced since 2003. Decreased activity and a competitive business climate impose downward pressure on the total amount of data to be processed and the prices for such work. This is an industry trend from which RTM is not immune.

Annual Canadian Drilling Rig Count, Courtesy of Baker Hughes

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Average Canadian rig Count	230	271	375	261	246	345	342	266	372	369	458	470	344	381

## Expenses

Total expenses of \$1,806,063 for fiscal 2009 (\$1,490,255 in fiscal 2008) represented a \$267,476 (21%) year-over-year increase in total annual expenses.



Expense Category	Fiscal 2009	Percentage of Total	Fiscal 2008	Percentage of Total
Operations (serv, prod, mktg, int, COGS)	789,594	43.7%	821,376	55.1
General and Administrative	379,262	21.0%	301,993	20.3
Public Company Costs	31,484	1.7%	65,064	4.4%
Development	163,524	9.1%	46,923	3.1
Interest on Long term Debt	90,688	5.0%	10,145	0.7%
Information Technology	12,687	0.7%	5,750	0.4%
Bad Debts (recovered)	26,500	1.5%	-1,574	-0.1%
Amortization-Equip, Leaseholds, Debenture Costs	131,274	7.2%	155,766	10.5
Amortization-Deferred Development	32,470	1.8%	36,420	2.4%
Stock Based Compensation	159,750	8.8%	0	0%
Foreign Exchange Loss (gain)	(11,171)	-0.6%	48,392	3.2
<b>TOTAL</b>	<b>1,806,063</b>	<b>100%</b>	<b>1,490,225</b>	<b>100%</b>

As has been the case almost every year for RTM, the largest expense category was operating expenses which accounted for about 44% of total expenses, a decrease from last years 55% share. Total operating expenses of \$789,594 in fiscal 2009 were 4% lower than the \$821,376 operating expense tally for the previous year.

Operating Expense Category	2009	2008	\$ Change	% Change
Services	276,563	466,258	-189,695	-41%
International	109,898	115,566	-5,668	-5%
Products	94,659	125,437	-30,778	-25%
Marketing	177,725	95,435	82,290	+87%
COGS	130,749	18,680	112,069	+600%
TOTAL	789,594	821,376	-31,782	-4%

The expenses required to support SDO services are embedded in the services expense category. These costs include field personnel, equipment repair, fuel and the like. Despite almost all SDO work disappearing year over year, some operating expenses were incurred maintaining the equipment in a ready-to-go state and eventually moving the equipment to California. Also, in the previous fiscal year, \$70,466 worth of services costs were associated with renting the electronic instruments RTM in turn rented to its customers. This portion of services expenses has disappeared year over year on account of RTM using its own KC instruments.

Expenses for overseas subcontract logging services provided by RTM outside Canada totalled \$109K in fiscal 2009. This is only about 5% less than the same expense category in the previous fiscal year, despite an 80% subcontract logging services revenue drop. The story is similar to the SDO, in that, given the expectation that activity was likely to pick-up, the company incurred expenses while it kept the equipment and personnel in a ready state even when activity was low. As of the writing of this MD&A RTM has shut-down the overseas subcontracting part of the company.

Product operating expenses include production personnel, shop rent, shop supplies and the like as required to support the manufacturing and servicing of the KC line of instruments. Product expenses decreased year over year by about 25% from \$125k last year to about \$94K this year. This decrease is a reflection of lower production personnel staffing levels and minor improvements in operational efficiencies.

Marketing expenses, which includes personnel, travel and marketing material costs, jumped by a notable 87% from about \$95K last year to \$178k this year. This increase in marketing expenses reflects increased levels of marketing effort being directed to the introduction of the KC tools to customers in Canada, the US and Mexico. Some expenses were also incurred marketing to the North Africa and Middle East regions. Management has made some good contacts for KC sales and believes that when the industry returns to a growth state, RTM will have materially increased its market share and widened its customer base.

Thousands



COGS (Cost of goods sold) in fiscal 2009 was \$130,749 which is 6 times higher than the COGS figure for the previous fiscal year. This figure is a direct reflection of the increased year over year product sales.

RTM's second largest expense category is General and Administrative expenses which accounted for about 22% of total annual expenses in fiscal 2009 (compared to 20% in fiscal 2008) while increasing year over year by \$77K or about 26% from \$302K to \$379K. This increase is mostly accounted for by higher fees paid for business development and professional consultants. Notwithstanding this fluctuation, RTM General and

Administrative Expenses are still roughly within a narrow band where they've remained for more than six years.

Fiscal 2009 is the first year the company has recorded three different Amortization figures. Amortization expenses for equipment and leaseholds was reported as \$118,264 in fiscal 2009, compared to \$155,766 in the previous year. Most of the \$37,502 year over year difference is accounted for by a one-time write down of some obsolete and damaged KC-1 instruments in fiscal 2008. Development costs were amortized to the tune of \$32,470 in fiscal 2009, which is almost the same as the \$36,420 value in the previous year. The new amortization category is \$13,010 which stems from an \$830,000 debenture financing the company completed during the course of fiscal 2009.

Public company costs decreased this year by 52% from \$65,064 to \$31,484. This \$33,580 decrease is partially due to cost cutting measures related to transfer agent, press release and minimization of expenses related to continuous disclosure requirements, but most of the difference is accounted for by the one-time expenses associated with getting RTM listed on the Frankfurt Stock exchange during fiscal 2008.

Development expenses of \$163,524 were recorded in fiscal 2009. This was a 248% increase over the \$46,923 spent on development in the previous year. These expenses represent software and hardware design work as well as database development and quality control system development work that was required to support ongoing KC tool development. At the outset of fiscal 2009 RTM had one KC model in service, the KC-1. At the close of fiscal 2009, the KC-1 had been retired and replaced with the KC-2, plus the KC-75 and KC-Q tools were developed and being commercialized. Development expenses represent the collective amount spent on developing all products.

The Company recorded a Bad Debt expense of \$26,500 in fiscal 2009. This expense arises from management's lack of confidence in one domestic equipment rental customers' ability to pay invoices owed to RTM. The company is continuing to pursue collection of these invoices.

### *Cash Flow*

A net Cash Flow deficit from operating activities before changes in non-cash working capital of -\$854,722 was recorded for the year ended January 31, 2009 as compared to the net cash flow deficit of -\$159,358 recorded at the end of the previous fiscal year.

During the course of fiscal 2009 the company undertook two fund raising programs in order to maintain a working capital surplus;

- On March 13 2008 the company raised gross proceeds of \$229,800 through a private placement of 3,830,000 units at a price of \$0.06 per unit. Each unit comprised of one common share and ½ of one purchase warrant which entitles the holder to purchase an additional common share at a price of 12 cents within 12 months of closing of the offering. The company paid \$15,180 in finders fees and issued 126,500 finders warrants to arms length parties in connection with the offering.
- During the second quarter of fiscal 2009 RTM completed a convertible debenture financing program. The debenture program was closed in three separate tranches on May 9, May 29 and June 19 2008. The program resulted in \$830,000 in gross proceeds. The debenture holders receive quarterly interest payments based on a 15% per annum interest rate. The debenture matures five years after issuance. The principal of the debenture is convertible into common shares at a price of \$0.15 per common share at any time if the holder wishes to convert. The company can force conversion after three years have elapsed from issuance and given that the companies share price is trading about \$0.30 or higher for a period of 20 days or more.
- Effective February 15 2008 the company granted an aggregate 2,540,000 incentive stock purchase options to its directors, officers and employees. The options are for a five year term, expiring on February 14 2013 and are exercisable at \$0.10 per share. The granting of these options gives rise to the \$159,750 non-cash expense recorded in fiscal 2009.

In fiscal 2009 the company invested \$198,242 in raw materials, parts and shop equipment required to build the KC tools. In the previous fiscal year the company invested \$87,824 in similar goods. As the raw

materials and parts are used-up in the building of the KC tools, the value of the raw materials and parts are transferred from being assets, expensed as part of COGS and treated accordingly.

In fiscal 2009, RTM incurred an additional \$39,377 in deferred development costs to support continued KC development work. This compares to the \$243,592 invested in the previous fiscal year on similar activities. This figure will be added to previous deferred development cost total for continued development of the KC range of tools. Now that KC tools are being built, the accumulated deferred development costs are being amortized against units built wherein the full cost of development will be amortized over the first 1,000 KC tools built.

Overall net increase in the cash position from all cash flow activities recorded was \$20,725 for the year ending January 31<sup>st</sup>, 2009. This is a slight improvement over the decrease in cash figure of -\$10,722 recorded in the previous fiscal year.

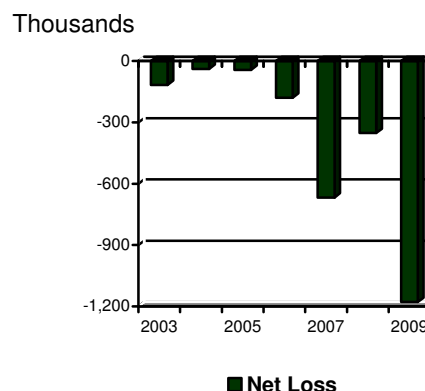
At the end of the fiscal year ended January 2009, the company's cash on hand was in overdraft at the bank to the tune of -\$25,120 which is in the same general range as the year end overdraft balance of -\$45,845 reported last year.

### **Net Loss**

A net loss of \$1,178,216 was recorded for the fiscal year ending January 2009. This is a little more than three times the loss of \$351,544 recorded last year. This is the largest annual loss reported by RTM during its 13 years of continuous operation.

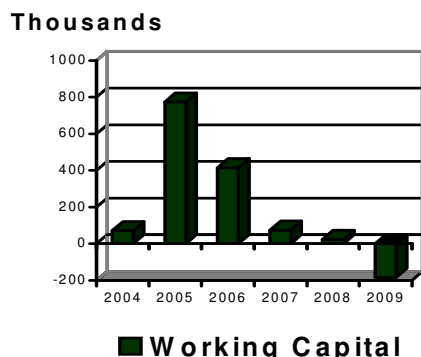
Fiscal 2009 saw a 45% year over year revenue decrease with a corresponding 21% increase in total expenses as management struggled to come to grips with, and adjust for the extreme decrease in overall oil and gas service industry activity coupled with a general recessionary trend in the world economy. The company maintained development of the KC tool throughout the financial downturn and the KC tool is now a marketable product in commercial production. The speed of the downturn resulted in expenses far outrunning revenues for a large portion of the 2009 fiscal year. Although some cost trimming measures were implemented during the second half of fiscal 2009, management has subsequently taken more extreme steps to cut costs significantly in the current fiscal 2010 year.

In fiscal 2009 RTM recorded a -\$0.038 loss per share which is about 2.7 times the -\$0.014 loss per share reported a year earlier as of January 31 2008.



### **Liquidity and Capital Resources**

Working capital is defined by RTM management to be current assets less current liabilities. Under this management definition, at the close of fiscal 2009 the company had a working capital deficit of -\$220,095, which is \$243,791 less working capital than the \$23,696 working capital surplus the company had at the close of fiscal 2008. This is the lowest year end working capital balance the company has recorded in its 13 year history.



The working capital deficit of -\$220,095 as at January 31 2009 was below the \$100,000 minimum threshold management believes is required to continue on the present course of normal operations. In response to this shortfall, the company has laid off more than half the staff and consolidated work space from two locations to one. The company also subsequently in early fiscal 2010 completed a private placement which raised gross proceeds of \$205,480. Additional details are disclosed below as Subsequent Events.

## ***Subsequent Events***

Subsequent to the year end RTM closed a non-brokered private placement of 6,849,334 units at a price of \$0.03 per unit for gross proceeds of \$205,480. Each unit comprised of one common share with a four month hold and ½ of one purchase warrant which entitles the holder to purchase one additional common share within 12 months at a price of six cents. More details are disclosed in the notes attached to the accompanying Financial Statements.

As described in Notes 9 and 22 of the accompanying Financial Statements, the Company purchased equipment it required to provide sub-contract logging services overseas using loan financing provided by Abbet International, a related party. Subsequent to the January 31 2009 year end, the equipment was no longer being used. As of March, 2009, and as part of its capital management policy (ref. Note 17 in accompanying Financial Statements), management determined that no further payments should be made on the loan. Accordingly, pursuant to the terms of the agreement, the Company is no longer indebted to Abbet, and Abbet has taken possession of the equipment. As a result, the Company has incurred a loss of approximately \$38,000, which is difference between the net book value of the equipment and the unpaid loan principal.

## ***Summary of Fourth Quarter Results***

No separate financial statement has been prepared for the fourth quarter results. Reference is however made to a simplified management calculated quarterly results summary that is presented herein below.

The fourth quarter of fiscal 2009 experienced a modest 16% increase in revenue from \$173K in fourth quarter of fiscal 2008 to \$201 this year. However Q4 fiscal 2009 still lags well behind fiscal 2007 and 2006 with Q4 revenues of \$247K and \$324K respectfully. Indeed, Q4 fiscal 2009 revenue is less than two thirds of RTM's revenue during Q4 three years ago. However it is important to note that in Q4 fiscal 2009 100% of the revenue was generated by product sales, rentals and data processing with zero revenue produced by SDO operations. This contrasts dramatically with Q4 fiscal 2006 when about 60% of RTM's revenue was produced by SDO services with only 40% of the revenue produced by products, rentals and data processing. This contrast is an indication that the bulk of the companies activities have now shifted over to products where the development effort is being concentrated and the company is growing, even during these harsh economic conditions.

Fourth quarter fiscal 2009 operating expenses of \$150K represented a 27% decrease compared to \$209K in operating expenses for the same period last year. This decrease is an indication of management's cost trimming measures that were implemented in the latter part of fiscal 2009.

General and Administration costs were \$137K for the fourth quarter of fiscal 2009 which was 73% higher than the Q4 G & A expenses reported the year before in fiscal 2008. This G&A jump was mostly caused by extra expenses associated with a business development consultant. The consultant ceased to provide services to RTM subsequent to the end of fiscal 2009.

The total of all other costs in Q4 2009 of \$180K were up about 28% year over year from last years Q4 other expense figure of \$141K. This increase is primarily attributed to the increased spending on development of the KC line of tools.

With a slight year over year revenue increase and higher costs as compared to the same Q4 period last year, the company experienced a net loss of -\$319 in the fourth quarter of fiscal 2009 as compared to a net loss of -\$237K in the fourth quarter of 2008. On a per share basis this was a net loss of -.009 for the fourth quarter of fiscal 2009 which is the same as the figure last year in the fourth quarter of fiscal 2008.

Net Q4 fiscal 2009 cash flow deficit was -\$256K which is a \$68K decrease compared to the cash flow deficit of -\$188K last year in fourth quarter fiscal 2008.

## Summary of Quarterly Results

Selected Quarterly Data (\$000's)

	Fiscal 2009				Fiscal 2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross Revenue	201	135	187	105	173	274	291	400
Cost of Good Sold	53	0	64	14	0	16	2	0
Services, Products, Marketing Expenses	150	170	180	158	164	208	197	233
Gross Margin	(2)	(35)	(56)	(68)	10	50	91	166
General & Admin	137	95	79	69	80	74	75	74
All Other Expenses	180	91	114	251	187	79	58	43
Net Income (loss)	(319)	(222)	(250)	(388)	(256)	(102)	(42)	48
Earnings (loss) / share	(0.009)	(0.007)	(0.008)	(0.013)	(0.009)	(0.004)	(0.002)	0.002
Net Cash Flow	(208)	(188)	(217)	(190)	(188)	(61)	(3)	93
Working Capital	(210)	69	283	(127)	24	60	170	264

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

The seasonal nature of Western Canadian oil and gas service activity is becoming less of a factor for RTM as compared to in the past. This is because RTM is transitioning to doing more business outside Canada. All jurisdictions will have some seasonal ups and downs but they happen at different times of the year in different places and the net result will be less financial performance volatility from quarter to quarter for RTM. When RTM relied primarily on the western Canadian basin for business, 2<sup>nd</sup> quarter performance was typically the weakest of the 4 quarters with Q1 and Q4 taking turns being the strongest. Fiscal 2009 saw Q4 and Q2 tied in terms of revenue performance, but due to cost cutting measures Q4 had less of a loss than did Q1. Management is expecting the current world wide slump in oil and gas service activity to linger until the end of 2009 or beyond and the company is now being managed on that basis.

Useful quarter by quarter analysis makes it imperative that this seasonality is taken into account. Comparisons need to be made with the comparable prior period results when developing the overall picture of operational and financial results. Thus, for example, Q2 2009 should be referenced and compared to Q2 2008 to yield somewhat meaningful information.

## Outlook

To understand RTM's prospects for future development as a company during the next few months and far beyond, one needs to look at the current situation from different perspectives:

RTM's most promising business development frontier today is the supply of equipment and services outside Canada. Most of RTM's effort is being aimed at selling KC gauges to service companies. RTM overseas activity during the past couple of years, although modest, and despite a set-back in fiscal 2009, is generally growing and evolving towards a state of long term survivability and offers exceptional future growth potential. Management is currently pursuing business opportunities for the supply of equipment and/or services in North Africa, Middle East, Mexico and the United States. The comparative Baker Hughes rig count table below indicates that regions outside Canada and the US are experiencing reasonably flat oil and gas service activity, whereas Canada and the US are experiencing dramatic activity decline rates. RTM management is making tough decisions and working hard to adjust the size and operational habits of the company in response to this rapidly changing business environment. The entire oil and gas service industry in Canada is experiencing a 10 year low in activity. The resulting cash and personnel costs associated with downsizing activities is taking a toll on RTM and its industry. Despite management's best efforts, such negative industry trends are making it difficult to support expensive business development outside Canada. Notwithstanding these difficulties, at the time this MD&A was written, there were at least three substantial pending orders for RTM equipment. One of the orders, from the Middle East, is the largest single order RTM has ever received for anything. This order is in the final stages of negotiation and could be finalized before the end of Q3 this year. The reader should however be cautioned that despite management's optimistic viewpoint, there is no assurance this contract, or any other order or contract will be finalized, until such time as it actually is.

RTM's business activities in western Canada have historically revolved around the provision of SDO, instrument rental and data processing services to Canadian companies. According to Baker Hughes latest rig count in the table below, which is a generally accepted indicator of oil and gas service activity; There is about 63% less oil and gas service work going on in Canada compared to a year ago. RTM's SDO service did virtually zero work in Canada last year and the prospect for SDO work in Canada this year looked very grim at the mid-point of last year. Management responded by looking for and finding oil and gas companies interested in using the SDO in California. As of the date of this MD&A, SDO services are being provided to a major gas company in California under a subcontract arrangement with a local independent private oil and gas service company. The current operation is a pilot project wherein the usefulness of the SDO is being evaluated by the customer. If things work out well and the SDO looks good, there could be plenty more work for the SDO in California, which is what RTM management expects. However, if the SDO fails to meet the customers' expectations, or for some other reason the customer decides not to use the SDO, the equipment could end-up sitting idle in California instead of Calgary. Presently it is impossible to predict which scenario will develop.

### BAKER HUGHES RIG COUNT, JULY 17 2009:

REGION	COUNT DATE	RIG COUNT	CHANGE FROM PRIOR COUNT	DATE OF PRIOR COUNT	CHANGE FROM 12 MONTHS AGO	DATE OF LAST YEARS' COUNT
U.S.A.	17 Jul 2009	920	+4 (+0,4%)	10 Jul 2009	-1008 (-52%)	18 Jul 2008
Canada	17 Jul 2009	152	-26 (-15%)	10 Jul 2009	-258 (-63%)	18 Jul 2008
International	June 2009	967	-26 (-2%)	May 2009	-135 (-11%)	June 2008

The other segments of RTM's domestic business are pressure gauge rental and data processing services. Equipment rental and data processing services are generally only provided to local domestic Canadian customers. Although revenue from these business lines slipped year over year by roughly 10% last year, given that overall industry activity plummeted by more than 60%, maybe RTM didn't do so bad after all. The reader should be encouraged that RTM is now only supplying rental KC gauges

manufactured by RTM in Calgary to customers. The innovative KC will endear itself to rental customers and when the industry turns around RTM should be in a much stronger market position. However, until the turn-around, RTM management expects the revenue and costs associated from these lines of business to remain flat or at best grow slightly in the next 12 months.

RTM management has halted spending on almost all DataTrak product development, including the KC tools, until such time as a paying customer requests a KC configuration that doesn't already exist, or the industry and RTM's revenue starts to regain some strength. As of the date of this MD&A, RTM has been downsized from 10 full-time to 3 full-time and three part-time employees. The companies' facilities have been consolidated from two shops to one. Management is balancing a response to the current cash flow needs of the company with the need to retain its most valuable assets; the core people.

## CORPORATE INFORMATION

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William Grbavac <sup>(1)</sup>  
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Calgary, Alberta

*(1) Audit committee member*

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Glenn Boyd, P.Eng.  
Chief Financial Officer

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Alliance Trust Company  
Calgary, Alberta

### **STOCK EXCHANGE LISTING**

TSX Venture Exchange : Symbol - RTY  
Frankfurt Exchange : Symbol – 3TM

