

Consolidated financial statements of

RMS SYSTEMS INC.
(Unaudited)

March 31, 2009

In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the period ended March 31, 2009.

RMS SYSTEMS INC.
Consolidated Balance Sheets
(Unaudited)

	March 31, 2009	December 31, 2008
	\$	\$
ASSETS		
CURRENT		
Cash	2,352,953	3,386,313
Accounts receivable	186,457	481,298
Prepaid expenses	66,942	49,323
	<u>2,606,352</u>	<u>3,916,934</u>
DEFERRED DEVELOPMENT (Note 3)	782,654	831,571
PROPERTY AND EQUIPMENT (Note 4)	2,445,853	1,621,037
	<u>5,834,859</u>	<u>6,369,542</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	286,481	385,213
SHAREHOLDERS' EQUITY		
Equity instruments (Note 5)	8,319,573	8,319,573
Contributed surplus (Note 6)	24,000	6,000
Deficit	(2,795,195)	(2,341,244)
	<u>5,548,378</u>	<u>5,984,329</u>
	<u>5,834,859</u>	<u>6,369,542</u>

RMS SYSTEMS INC.**Consolidated Statements of Operations, Comprehensive Loss and Deficit****(Unaudited)**

	For the 3 months ended March 31, 2009 \$	For the 3 months ended March 31, 2008 \$
REVENUE		
Rental	287,307	-
EXPENSES		
Rental services	209,093	-
General and administrative	403,517	84,736
Interest	585	46,980
Amortization	111,104	17,470
Stock-based compensation	18,000	-
Accretion of convertible debentures	-	4,953
	742,299	154,139
OTHER		
Interest income	-	258
Gain for forgiveness of debt	1,041	-
	1,041	258
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(453,951)	(153,881)
DEFICIT, BEGINNING OF PERIOD	(2,341,244)	(1,227,713)
DEFICIT, END OF PERIOD	(2,795,195)	(1,381,594)
LOSS PER SHARE (NOTE 5)		
Basic and diluted	(0.02)	(0.04)

RMS SYSTEMS INC.
Consolidated Statements of Cash Flow
(Unaudited)

	For the 3 months ended March 31, 2009	For the 3 months ended March 31, 2008
	\$	\$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	(453,951)	(153,881)
Adjustment for:		
Amortization	111,104	17,470
Gain on forgiveness of debt	(1,041)	-
Stock-based compensation	18,000	-
Accrued interest on convertible debenture	-	46,980
Accretion of convertible debentures	-	4,953
	(325,888)	(84,478)
Changes in non-cash working capital		
Accounts receivable	294,841	38,985
Prepaid expenses	(17,619)	-
Accounts payable and accrued liabilities	(275,780)	97,811
	(324,446)	52,318
INVESTING		
Purchase of property and equipment	(887,004)	(50,711)
Development expenditures	-	(105,543)
Changes in non-cash investing activities	178,090	(50,000)
	(708,914)	(206,254)
FINANCING		
Repayments to related parties	-	(11,596)
Proceeds from issuance of share capital	-	10,000
Proceeds from convertible debentures, net	-	10,000
	-	8,404
DECREASE IN CASH	(1,033,360)	(145,532)
CASH, BEGINNING OF PERIOD	3,386,313	99,584
CASH, END OF PERIOD	2,352,953	(45,948)

RMS SYSTEMS INC.
Notes to Consolidated Financial Statements
(Unaudited)
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1. NATURE OF OPERATIONS

RMS Systems Inc. (the “Company” or “RMS”) was formed through Articles of Amalgamation dated September 29, 2008. At that time C-Data Communications Inc. amalgamated with Tiger-Cat Energy Ltd. to form RMS Systems Inc. C-Data Communications Inc. was incorporated under the Business Corporation’s Act (Alberta) on May 1, 2005. The Company has developed a web-based remote drilling data retrieval software solution. This software allows oil and gas companies to retrieve scientific measurement data in the field and communicate this data in real-time back to a central web-based data warehouse.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of interim consolidated financial statements in conformity with Canadian generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management’s opinion, been properly prepared using careful judgment with reasonable limits of materiality. The interim consolidated financial statements contain disclosures, which are supplemental to the Company’s annual consolidated financial statements. Certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2008. The significant accounting policies follow that of the most recent annual consolidated financial statements, except for the following:

Goodwill and Other Intangible Assets

In the first quarter of 2009, the Company adopted the Section 3064 “Goodwill and Other Intangible Assets”. The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the old Section 3062 “Goodwill and Other Intangible Assets”. The adoption of the guideline did not have any material effect on the Company’s consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 1, 2009, the Company adopted CICA Emerging issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The abstract clarifies how the Company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The new guidance did not have a material effect on the financial position or earnings of the Company.

3. DEFERRED DEVELOPMENT

	March 31, 2009	December 31, 2008
	\$	\$
Accumulated costs, beginning of year	831,571	785,775
Additional costs deferred during the year	-	155,543
Investment tax credits accrued	-	(35,000)
Adjustment to investment tax credit balance	-	72,000
Amortization	(48,917)	(146,747)
Deferred development costs, end of year	782,654	831,571

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4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
<u>March 31, 2009</u>			
Parts and raw materials	1,228,956	-	1,228,956
Rental equipment	1,014,199	151,745	862,454
Vehicles	199,680	14,976	184,704
Computer hardware	168,002	146,684	21,318
Computer software	100,422	12,337	88,085
Office furniture	14,440	1,130	13,310
Leasehold improvements	52,065	5,039	47,026
	2,777,764	331,911	2,445,853
<u>December 31, 2008</u>			
Parts and raw materials	803,532	-	803,532
Rental equipment	464,952	23,248	441,704
Computer hardware	470,734	235,731	235,003
Computer software	100,218	8,065	92,153
Office furniture	2,961	592	2,369
Leasehold improvements	48,712	2,436	46,276
	1,891,109	270,072	1,621,037

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5. EQUITY INSTRUMENTS

Authorized

Unlimited number of common voting shares

Issued

	<u>Number of Shares</u>	<u>Amount \$</u>
Common shares		
Balance at December 31, 2008 and March 31, 2009	<u>26,562,715</u>	<u>8,311,873</u>
Common share purchase warrants		
Balance at December 31, 2008 and March 31, 2009	<u>100,000</u>	<u>7,700</u>
Total equity instruments at March 31, 2009		<u>8,319,573</u>
Total equity instruments at December 31, 2008		<u>8,319,573</u>

The Company has granted stock options to various officers, directors, and employees of the Company and other parties as follows:

	<u>Number of Shares</u>	<u>Option Price per Share \$</u>	<u>Weighted Average Exercise Price \$</u>	<u>Weighted Average Grant-Date Fair Value \$</u>
Options outstanding, December 31, 2008	1,845,000	0.20	0.20	0.08
No transactions	-	-	-	-
Options outstanding, March 31, 2009	1,845,000	0.20	0.20	0.08

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5. EQUITY INSTRUMENTS (Continued)

The weighted average number of shares used in calculating net loss per share is as follows.

	<u>March 31,</u> <u>2009</u>	<u>March 31,</u> <u>2008</u>
Weighted average common shares outstanding – basic	26,562,715	4,374,486
Effect of stock options	1,028,147	-
Effect of warrants	40,602	-
Weighted average common shares outstanding – diluted	27,631,464	4,374,486

As the Company is in a loss position, basic weighted average common shares outstanding equals diluted weighted average common shares outstanding. Diluted loss per share has not been disclosed as the effect would be anti-dilutive.

6. CONTRIBUTED SURPLUS

	<u>March 31, 2009</u>	<u>December 31,</u> <u>2008</u>
	\$	\$
Balance, beginning of period	6,000	-
Stock based compensation	18,000	6,000
Balance, end of period	24,000	6,000

7. RELATED PARTY TRANSACTION

During the three month period ended March 31, 2009, the Company paid, to a company related by virtue of common directors and officers, the amount of \$15,000 for reimbursement of general and administrative expenses.

Revenue and expense transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties and represents actual values charged to related parties.

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8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

FINANCIAL INSTRUMENTS

The Company is exposed to financial risk in a range of financial instruments including cash, accounts receivable, accounts payable and accrued liabilities. At March 31, 2009, the fair value of cash, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the relatively short term nature. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

- a) Liquidity Risk
- b) Credit Risk
- c) Currency Risk
- d) Market Risk

Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing. Management has assessed this risk as minimal.

Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. During the period ended March 31, 2009, there was no impairment provision required on any of the financial assets of the Company. The Company does have a concentration of credit risk as 73% of the Company's trade receivables are from one customer which contributed to \$217,925 of revenues in the three month period ended March 31, 2009. As such, the Company is economically dependent on this one customer. As at March 31, 2009, the Company's receivables consisted of \$161,667 of trade receivables and \$24,790 from the government for investment tax credits.

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8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

All of the Company's cash is held at one financial institution and as such, has a concentration of credit risk on its cash.

The Company's accounts receivables are aged as follows:

	Total \$
Current (less than 30 days)	93,425
30 to 60 days	91,778
61 to 90 days	-
Over 90 days	1,254
<u>Total</u>	<u>186,457</u>

The maximum exposure to credit risk is represented by the carrying amount on the balance sheet.

The Company assesses quarterly if there has been any impairment of the financial assets of the Company.

During the three months ended March 31, 2009, there was no impairment provision required on any of the financial assets of the Company due to historical success of collecting receivables.

Currency Risk

Currency risk will impact the value of the financial assets and liabilities on the balance sheet at March 31, 2009. Currently the RigManager System Unit is deployed only in Canada (and therefore all revenue is in Canadian currency), but the majority of the manufacture of the RigManager System Unit occurs in the United States (and therefore these expenses are in United States currency). Changes in the U.S. to Canadian exchange rate will impact the realization of certain assets and payment of certain liabilities.

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8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

Market risk

The major area of uncertainty for the Company is that the demand for its services is directly related to the strength of its customers' capital expenditure programs. The level of capital programs is strongly affected by the level and stability of commodity prices, which can be extremely difficult to predict and beyond the control of the Company and its customers. During periods of uncertainty, oil and gas companies tend to bias their capital decisions on conservative outlooks for commodity prices. In addition to the cyclical nature of its business, the Company is also subject to risks and uncertainties associated with weather and seasonality. In addition a large majority of the market place for the Company's product is held by one competitor, much larger in size than the Company. The Company is subject to the risks and uncertainties arising from the fact that one competitor controls such a large market share.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

The Board of Directors does not establish quantitative return on capital criteria for the Company; but rather promotes year over year sustainable growth in net income and funds flow. The Company defines capital as total equity plus net debt.

	<u>March 31,</u> <u>2009</u>
	\$
Total debt	-
Less cash	<u>(2,352,953)</u>
Net debt	<u>(2,352,953)</u>
Total equity	<u>5,548,378</u>
Total capital	<u>3,195,425</u>

The Company is not subject to any externally imposed financial requirements.