



Condensed Consolidated Interim Financial
Statements of

(Unaudited – prepared by management)

RMS SYSTEMS INC.

March 31, 2011

RMS SYSTEMS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - prepared by management)

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
		(Note 18)	(Note 18)
ASSETS			
Current			
Cash	99,253	618,584	725,077
Accounts receivable	1,288,511	1,261,841	472,034
Prepaid expenses	75,498	67,169	61,998
Total current assets	<u>1,463,262</u>	1,947,594	1,259,109
Intangible assets (Note 5)	562,313	563,648	701,158
Property and equipment (Note 6)	4,847,995	4,426,590	2,622,983
Total assets	<u><u>6,873,570</u></u>	<u>6,937,832</u>	<u>4,583,250</u>
LIABILITIES			
Current			
Accounts payable, accruals and provisions	1,599,164	1,405,262	568,869
Current portion of finance leases (Note 7)	68,483	67,248	-
Total current liabilities	<u>1,667,647</u>	1,472,510	568,869
Finance leases (Note 7)	159,932	173,894	-
Convertible debentures (Note 8)	1,886,982	1,874,992	-
Total liabilities	<u>3,714,561</u>	3,521,396	568,869
SHAREHOLDERS' EQUITY			
Equity instruments (Note 9)	9,160,806	9,160,806	8,319,573
Equity component (Note 8)	135,000	135,000	-
Contributed surplus	188,127	175,733	94,804
Deficit	(6,324,924)	(6,055,103)	(4,399,996)
Total equity	<u>3,159,009</u>	3,416,436	4,014,381
Total liabilities and equity	<u><u>6,873,570</u></u>	<u>6,937,832</u>	<u>4,583,250</u>
Commitments, provisions and contingencies (Note 16)			
Subsequent events (Note 17)			
Approved on behalf of the Board			
<u>Signed "Dave Hall"</u>	<u>Signed "Willey Wong"</u>		
Dave Hall, Director	Willey Wong, Director		

RMS SYSTEMS INC.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(Unaudited - prepared by management)

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
	\$	\$
		(Note 18)
REVENUE		
Rental revenue	<u>1,242,773</u>	<u>740,845</u>
OPERATING EXPENSES		
Rental services	520,160	458,991
General and administrative	684,025	433,479
Depreciation and amortization	<u>229,409</u>	<u>142,676</u>
	<u>1,433,594</u>	<u>1,035,146</u>
OPERATING PROFIT	<u>(190,821)</u>	<u>(294,301)</u>
OTHER EXPENSES		
Corporate services	42,153	20,539
Stock-based compensation	12,394	7,334
Financing costs (Note 10)	53,694	833
Other (Note 11)	<u>(29,241)</u>	<u>(15,235)</u>
	<u>79,000</u>	<u>13,471</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(269,821)</u>	<u>(307,772)</u>
DEFICIT, BEGINNING OF PERIOD	<u>(6,055,103)</u>	<u>(4,399,996)</u>
DEFICIT, END OF PERIOD	<u>(6,324,924)</u>	<u>(4,707,768)</u>
LOSS PER SHARE (NOTE 9)		
Basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>

RMS SYSTEMS INC.**Condensed Consolidated Interim Statements of Shareholders' Equity****(Unaudited - prepared by management)**

	Equity instruments \$	Equity component on convertible debentures \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
Balance at January 1, 2010	8,319,573	-	94,804	(4,399,996)	4,014,381
Total comprehensive loss for the period					
Loss for the period	-	-	-	(307,772)	(307,772)
Transactions with owners, recorded directly in equity					
Exercise of options	13,333	-	-	-	13,333
Stock-based compensation	-	-	7,334	-	7,334
Balance at March 31, 2010	<u>8,332,906</u>	-	<u>102,138</u>	<u>(4,707,768)</u>	<u>3,727,276</u>
Balance at December 31, 2010	9,160,806	135,000	175,733	(6,055,103)	3,416,436
Total comprehensive loss for the period					
Loss for the period	-	-	-	(269,821)	(269,821)
Transactions with owners, recorded directly in equity					
Stock-based compensation	-	-	12,394	-	12,394
Balance at March 31, 2011	<u>9,160,806</u>	<u>135,000</u>	<u>188,127</u>	<u>(6,324,924)</u>	<u>3,159,009</u>

RMS SYSTEMS INC.**Condensed Consolidated Interim Statements of Cash Flow****(Unaudited - prepared by management)**

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
	\$	\$
CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	(269,821)	(307,772)
Adjustment for:		
Amortization	229,409	142,676
Gain on disposal of property and equipment	(27,147)	-
Stock-based compensation	12,394	7,334
Financing costs	53,694	833
Cash paid financing costs	(41,704)	(833)
	(43,175)	(157,762)
Changes in non-cash working capital		
Accounts receivable	(26,670)	(86,739)
Prepaid expenses	(8,329)	8,252
Accounts payable, accruals and provisions	193,903	(193,493)
	115,729	(429,742)
INVESTING		
Purchase of property and equipment	(561,431)	(96,841)
Purchase of intangible assets	(60,902)	(3,150)
	(622,333)	(99,991)
FINANCING		
Proceeds from issuance of equity instruments	-	13,333
Payment of financing leases	(12,727)	-
	(12,727)	13,333
DECREASE IN CASH	(519,331)	(516,400)
CASH, BEGINNING OF PERIOD	618,584	725,077
CASH, END OF PERIOD	99,253	208,677

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

RMS Systems Inc. (the "Company") is a company domicile in Canada and is a publicly-traded company listed on the TSX-V under the symbol RMS. The Company was formed by an Amalgamation dated September 29, 2008. Pursuant to Articles of Amalgamation dated September 29, 2008, C-Data Communications Inc. amalgamated with Tiger-Cat Energy Ltd. to form the Company. 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.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 27, 2012.

The Company's registered address is 2248 – 9th Avenue SE, Calgary, Alberta T2G 5P7.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The condensed consolidated interim financial statements do not include any adjustments, which could be material, relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in the following notes:

- Note 7 – lease classification and accounting for an arrangement containing a lease
- Note 8 – compound financial instrument classification on convertible debentures

RMS SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited - prepared by management)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 – valuation of property, plant and equipment
- Note 5 – impairment of intangibles
- Note 17– provisions and contingencies

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Company have been prepared by management in accordance with IFRS. The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated interim financial statements and accompanying notes. Actual results could differ from those estimates. The condensed consolidated interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, RigManager Services Ltd. and RigManager, Inc. All inter-company accounts and transactions have been eliminated.

Inventories

Inventories are measured at the lower of cost and net realizable value. Parts and raw materials awaiting assembly are recorded at cost in property and equipment and no depreciation is recorded.

Property and Equipment

Property and equipment are recorded at cost and are amortized using the declining-balance method at the following annual rates:

Rental equipment	10 years
Computer hardware	30%
Office furniture	20%
Vehicles	30%
Leasehold improvements	5 years (over the term of the lease)

Property and equipment include parts and raw materials awaiting assembly. These assets are recorded at cost and no depreciation is taken until the asset is completed and available for its intended use.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Capitalized development expenditures are amortized over 5 years.

Computer software is amortized at a 30% annual rate.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Property and Equipment and Intangible Assets

Equipment and finite life intangible assets are reviewed for impairment at each reporting date to determine whether there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. If the amount of the impairment recognized reverses in a subsequent period and the decrease in impairment loss can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset.

Government assistance

Government assistance, consisting of grants and research and experimental development tax credits, is recorded as a reduction of either the related expense or the cost of the asset to which it relates. The assistance is recorded in the accounts when reasonable assurance exists that the Company has complied with the terms and conditions of the approved government assistance program and when there is reasonable assurance that the assistance will be realized.

Per Share Amounts

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares and conversion of convertible debentures.

Stock-based compensation

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

Revenue

The Company's services are generally sold based upon service orders or contracts with customers that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided, the rate is fixed and determinable, and the collection of the amounts billed to the customer is considered probable. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. Since January 1, 2010, the Company's date of transition to IFRSs, such differences have been recognized in accumulated other comprehensive income ('AOCI') in the cumulative translation account (see Note 18 - First time adoption)). When a foreign operation is disposed of, the relevant amount in AOCI (in the cumulative translation account) is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: convertible debentures, bank loans, and trade and other payables.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

New pronouncement issued

March 31, 2011 is the Company's first reporting period under IFRS. Accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent pronouncement issued

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

As of January 1, 2013, the Company will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's Financial Statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments include accounts receivable, accounts payable and accrued liabilities, finance leases and convertible debentures. The fair values of the Company's financial instruments that are included in the condensed consolidated interim statement of financial position, with the exception of the financing leases and convertible debentures, approximate their recorded amount due to the short term nature of those instruments. The fair value of finance lease obligations and convertible debentures approximates their carrying value as they were entered into with similar terms for other third parties. The fair values incorporate an assessment of credit risk.

The Company categorizes its financial instruments carried at fair value into one of three different levels depending on the significance of inputs employed in their measurement.

Level 1 includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments valued using Level 1 inputs include the Company's financing leases.

Level 2 includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. Instruments valued using Level 1 inputs include the Company's convertible debentures.

Level 3 includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available, or have no binding broker quote to support Level 2 classification. At March 31, 2011, the Company did not have any Level 3 assets or liabilities.

RMS SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited - prepared by management)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed to financial risk in a range of financial instruments including cash, accounts receivable, accounts payable and accrued liabilities, finance leases and convertible debentures. 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 liquidity, credit and market risks.

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.

A maturity analysis for the company's undiscounted financial liabilities, including interest, and contractual maturities is summarized in the following table.

	Accounts payable and accrued liabilities	Finance lease obligations	Convertible debenture obligations including interest payments	Office premises
	\$	\$	\$	\$
2011	1,599,167	62,973	120,000	40,991
2012	-	83,964	2,126,247	54,694
2013	-	103,699	-	38,449
	<u>1,599,167</u>	<u>250,636</u>	<u>2,246,247</u>	<u>134,134</u>

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 statement of financial position date. This credit risk is mitigated by the use of approved credit policies to limit the amount of transactions according to the counter party's credit quality. The Company assesses quarterly if there has been any impairment of the financial assets of the Company. During the three months ended March 31, 2011, there was no impairment provision required on any of the financial assets of the Company. The Company has a concentration of credit risk as approximately 76% of the Company's trade receivables are from one customer which contributed to approximately 78% of revenues in the three months ended March 31, 2011. As such, the Company is economically dependent on this one customer.

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

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

The Company's accounts receivables are aged as follows:

	Gross \$	Impairment \$
Current (less than 30 days)	662,589	-
30 to 60 days	363,939	-
61 to 90 days	203,662	-
Over 90 days	58,321	-
Total	1,288,511	-

The maximum exposure to credit risk is represented by the carrying amount on the statement of financial position.

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 is beyond the control of the Company and its customers.

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. The spring thaw makes the ground unstable and less capable of supporting heavy weights. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues.

There is greater demand for oilfield services provided by the Company in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Company may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. Volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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.

RMS SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2011

(Unaudited - prepared by management)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

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. Total net debt includes any potential long term debt, bank indebtedness or capital leases of the Company.

	December 31,
	2010
March 31, 2011	2010
	\$
Total debt	2,115,397
Less cash	(99,253)
Net debt	2,016,144
Total equity	3,159,009
Total capital	5,175,153

The Company is not subject to any externally imposed financial requirements as at March 31, 2011 except for the financial requirements under the convertible debenture agreement (Note 8).

4. FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property and equipment

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Share-based payment transactions

The fair value of the employee stock options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

5. INTANGIBLE ASSETS

Intangible assets are detailed below:

	Development expenditures	Other	Total
	\$	\$	\$
Cost or deemed cost			
Balance at January 1, 2010	950,664	120,239	1,070,903
Additions	72,445	11,668	84,113
Balance at December 31, 2010	1,023,109	131,907	1,155,016
Additions	47,326	11,424	58,750
Balance at March 31, 2011	1,070,435	143,331	1,213,766
Amortization and impairment losses			
Balance at January 1, 2010	338,591	31,154	369,745
Depreciation for the year	195,268	26,355	221,623
Balance at December 31, 2010	533,859	57,509	591,368
Depreciation for the period	52,994	7,091	60,085
Balance at March 31, 2011	586,853	64,600	651,453
Carrying amounts			
Balance at January 1, 2010	612,073	89,085	701,158
Balance at December 31, 2010	489,250	74,398	563,648
Balance at March 31, 2011	483,582	78,731	562,313

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

6. PROPERTY AND EQUIPMENT

	Parts and raw materials	Rental equipment	Other	Total
	\$	\$	\$	\$
Cost or deemed cost				
Balance at January 1, 2010	1,051,894	1,746,706	467,666	3,266,266
Additions	355,064	1,813,765	412,690	2,581,519
Balance at December 31, 2010	1,406,958	3,560,471	880,356	5,847,785
Additions	12,285	530,612	79,949	622,846
Disposals	-	-	(54,027)	(54,027)
Effects of exchange rate changes	-	(6,038)	-	(6,038)
Balance at March 31, 2011	1,419,243	4,085,045	906,278	6,410,566
Accumulated depreciation				
Balance at January 1, 2010	-	405,768	237,515	643,283
Depreciation for the year	-	593,219	184,693	777,912
Balance at December 31, 2010	-	998,987	422,208	1,421,195
Depreciation for the period	-	118,370	50,941	169,311
Disposals	-	-	(27,554)	(27,554)
Effects of exchange rate changes	-	(381)	-	(381)
Balance at March 31, 2011	-	1,116,976	445,595	1,562,571
Carrying amounts				
Balance at January 1, 2010	1,051,894	1,340,938	230,151	2,622,983
Balance at December 31, 2010	1,406,958	2,561,484	458,148	4,426,590
Balance at March 31, 2011	1,419,243	2,968,069	460,683	4,847,995

7. FINANCE LEASES

The Company has entered into capital leases to purchase vehicles. The term of the leases are for 30 months. Interest rate is fixed from 5.7% to 10.5% with monthly payments varying from \$1,137 to \$1,190. The capital leases are secured by the underlying vehicles leased. The net book value of assets held under capital lease and included in property and equipment is approximately \$216,000.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

7. FINANCE LEASES (Continued)

A reconciliation of the Company's capital leases and the minimum principal lease payments over the term of these capital leases are as follows.

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
2011	54,521	67,248	-
2012	72,655	72,655	-
2013	101,239	101,239	-
Balance	228,415	241,142	-
Current portion	(68,483)	(67,248)	-
Long-term portion	159,932	173,894	-

8. CONVERTIBLE DEBENTURES

On October 15, 2010, the Company completed an unsecured convertible debenture financing in the amount of \$2,000,000 ("the Debentures"). The Debentures carry interest at a rate of 8% per annum payable each quarter end commencing December 31, 2010. The Debentures are convertible at any time, at the option of the holders, into common shares at a conversion price of \$0.30 per common share. The Debentures are redeemable by the Company at any time provided the Company's common shares are trading at a price in excess of \$0.45 per share, or prior to October 15, 2011, upon the Company paying the amount owing on the Debenture plus 4% of the principal amount. The Debentures will mature on October 15, 2012.

A reconciliation of the Debentures are as follows.

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Balance, beginning of period	1,874,992	-	-
Issue of Debentures	-	2,000,000	-
Equity component of convertible debentures	-	(135,000)	-
Accretion of equity component of convertible debentures	11,990	9,992	-
Balance, end of period	1,886,982	1,874,992	-

The fair value of the debt was calculated based on present value of expected cash outflows at a discount rate of 15%.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

9. EQUITY INSTRUMENTS

Authorized

Unlimited number of common voting shares

Issued

	<u>Shares</u>	<u>Amount \$</u>
Common shares		
Balance at January 1, 2010	26,562,715	8,311,873
Exercise of stock options	100,000	23,333
Exercise of warrants	100,000	25,600
Private placement for cash	4,000,000	800,000
Balance at December 31, 2010	<u>30,762,715</u>	<u>9,160,806</u>
No transactions	-	-
Balance at March 31, 2011	<u>30,762,715</u>	<u>9,160,806</u>
Common share purchase warrants		
Balance at January 1, 2010	100,000	7,700
Exercise of warrants	<u>(100,000)</u>	<u>(7,700)</u>
Balance at December 31, 2010	-	-
No transactions	-	-
Balance at March 31, 2011	<u>-</u>	<u>-</u>
Total equity instruments at March 31, 2011		<u>9,160,806</u>
Total equity instruments at December 31, 2010		<u>9,160,806</u>
Total equity instruments at January 1, 2010		<u>8,319,573</u>

Stock options

The Company has established a stock option plan for its directors, officers, employees, consultants and other personnel. The total number of common shares issuable under the Plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the plan have a term of five years and vest 1/3 on the first anniversary from the date of grant and 1/3 each of the two anniversaries thereafter. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant.

An amount of \$12,394 was recorded during the three months ended March 31, 2011 (March 31, 2010 - \$7,334) for amortization of the value of the options granted. The fair value of the options were estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield of \$nil (March 31, 2010 - \$nil), expected volatility of 52% (March 31, 2010 - 51%), risk-free interest rate of 2.5% (March 31, 2010 - 2.5%), forfeiture rate of 5% (March 31, 2010 - 0%) and weighted average life of 5 years (March 31, 2010 - 5 years).

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

9. EQUITY INSTRUMENTS (Continued)

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

	Number of shares	Option price per share	Weighed average exercise price	Weighed average grant date fair value
		\$	\$	\$
Options outstanding, January 1, 2010	1,945,000	0.200	0.200	0.080
Granted	1,530,000	0.20 - 0.285	0.247	0.110
Exercised	(100,000)	0.20 - 0.30	0.230	
Expired	(480,000)	0.20 - 0.30	0.220	
Options outstanding, December 31, 2010	2,895,000	0.20 - 0.285	0.225	0.100
Granted	265,000	0.39 - 0.59	0.412	
Expired	(230,000)	0.245 - 0.26	0.247	
Options outstanding, March 31, 2011	2,930,000	0.20 - 0.59	0.239	

The following table summarizes information about the stock options outstanding at March 31, 2011:

Options outstanding	Option price	Weighted average exercise price	Weighed average remaining contractual life	Number of options currently exercisable	Weighed average exercise price of options currently exercisable
	\$	\$			\$
1,595,000	0.200	0.200	2.82 years	996,667	0.200
100,000	0.205	0.205	4.23 years	-	-
470,000	0.245	0.245	3.89 years	156,667	0.245
60,000	0.265	0.265	4.59 years	-	-
180,000	0.270	0.270	4.39 years	-	-
260,000	0.280	0.280	4.50 years	-	-
225,000	0.390	0.390	4.77 years	-	-
20,000	0.480	0.480	4.82 years	-	-
20,000	0.590	0.590	4.84 years	-	-
2,930,000	0.239	0.239	3.50 years	1,153,334	0.200

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

9. EQUITY INSTRUMENTS (Continued)

The following table summarizes information about the stock options outstanding at December 31, 2010:

Options outstanding	Option price	Weighted average exercise price	Weighted average contractual life	Number of options currently exercisable	Weighted average exercise price of options currently exercisable
	\$	\$			\$
1,595,000	0.200	0.200	3.06 years	1,063,333	0.20
100,000	0.205	0.205	4.50 years	-	-
670,000	0.245	0.245	4.08 years	-	-
30,000	0.260	0.260	4.67 years	-	-
180,000	0.270	0.270	4.63 years	-	-
260,000	0.280	0.280	4.74 years	-	-
60,000	0.285	0.285	4.92 years	-	-
2,895,000	0.285	0.225	3.65 years	1,063,333	0.20

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

	March 31, 2011	March 31, 2010
Weighted average common shares outstanding – basic and diluted	30,796,049	26,604,937

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 and as such, 2,930,000 options and the effect of the conversion of the Debentures into 6,666,667 common shares have been excluded from the diluted weighted average common shares.

10. FINANCE COSTS

Finance costs can be specified as follows:

	March 31, 2011	March 31, 2010
	\$	\$
Interest on long-term debt	37,481	-
Interest expense	4,223	833
Accretion of equity component of convertible debentures	11,990	-
	53,694	833

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

11. OTHER INCOME

Other income can be specified as follows:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	\$	\$
Gain on disposal of property and equipment	27,147	-
Other	2,094	15,235
	<u>29,241</u>	<u>15,235</u>

12. RELATED PARTY TRANSACTION

Except as disclosed elsewhere in these condensed consolidated interim financial statements, the Company had the following related party transactions with key management personnel:

- During the three months ended March 31, 2011, the Company paid to a related company \$15,000 (March 31, 2010 – 15,000) for the reimbursement of general and administrative expenses. A director of the Company is also an officer of the related company.

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

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Company's share option program (Note 9).

13. COMPANY ENTITIES

	Country of incorporation	Ownership interest		
		March 31, 2011	December 31, 2010	January 1, 2010
RigManager Services Ltd.	Canada	100%	100%	100%
RigManager Inc.	United States	100%	100%	0%

14. SUPPLEMENTAL CASH FLOW DISCLOSURE

- a) For the 3 months ended March 31, 2011, the Company paid \$41,704 (March 31, 2010 - \$833) in cash interest and \$nil (March 31, 2010 - \$nil) in cash taxes.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

15. SEGMENT DISCLOSURES

The Company operates in two geographic segments which are Canada and the United States of America. The amounts relating to each segment are as follows:

March 31, 2011	Canada	USA	TOTAL
	\$	\$	\$
Rental revenue	1,242,773	-	1,242,773
Operating costs	(1,030,594)	(150,667)	(1,181,261)
Amortization	(227,872)	(1,150)	(229,022)
Segment operating loss	(15,693)	(151,817)	(167,510)
Stock based compensation			(12,394)
Foreign exchange			1,293
Financing costs			(53,694)
Corporate services			(37,516)
Earnings			(269,821)
Total assets	6,823,446	50,124	6,873,570
Capital expenditures	551,414	10,017	561,431

March 31, 2010	Canada	USA	TOTAL
	\$	\$	\$
Rental revenue	740,845	-	740,845
Operating costs	(893,149)	-	(893,149)
Amortization	(142,124)	-	(142,124)
Segment operating loss	(1,783,231)	-	(294,428)
Stock based compensation			(7,334)
Financing costs			(833)
Corporate services			(5,177)
Earnings			(307,772)
Total assets	4,102,652	-	4,102,652
Capital expenditures	96,841	-	96,841

16. COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company has entered into a lease for its premises which calls for the following base rent payments:

	\$
2011	40,991
2012	54,694
2013	38,449
	<u>134,134</u>

The Company will also be responsible for its share of operating costs.

17. SUBSEQUENT EVENTS

- a) Subsequent to the period ended March 31, 2011, a holder of the Debentures has elected to convert its Debenture and as a result, a total of 838,812 common shares have been issued in satisfaction of the principal amount of the Debenture of \$250,000 and accrued interest in the amount of \$1,644.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

17. SUBSEQUENT EVENTS (Continued)

- b) On May 12, 2011, the Company completed a \$7.36 million bought deal common share private placement through an institutional brokerage firm (the "Underwriter"). The proceeds of this private placement will be used to assist the Company with its growth initiatives. 10,825,000 common shares were issued at a price of \$0.68 per common share. The fees to the Underwriter were 7% of the gross proceeds raised and 7% common share broker warrants entitling the Underwriter to acquire one common share of the Company for a period of 24 months following the close of the transaction at an exercise price of \$0.68 per share.

18. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 1, these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the three months ended March 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The condensed financial statements for the three months ended March 31, 2011 are the Company's first condensed financial statements for the first quarter of the period covered by the first annual financial statements presented in accordance with IFRS.

IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP recorded to deficit unless certain exceptions and exemptions are applied.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", permits first-time adopters of IFRS a number of exemptions. The Company has elected to utilize the following exemptions for first-time adoption of IFRS:

- a) *Business combinations*, which allows for an implementation of the IFRS business combination rules on a prospective basis, therefore, business combinations entered into prior to January 1, 2010 will not be retrospectively restated;
- b) *Share-based payments*, whereby stock options that vested prior to January 1, 2010 are not required to be retrospectively restated. Therefore, IFRS requirements apply only to those options that were unvested at the date of transition;

The Company utilized the following mandatory exemption for first-time adoption of IFRS related to estimates, whereby hindsight was not used to create or revise estimates and accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of equity:

		December 31, 2010		
	Note	Canadian GAAP \$	Effect of IFRS transition \$	IFRS \$
ASSETS				
Current				
Cash		618,584	-	618,584
Accounts receivable		1,261,841	-	1,261,841
Prepaid expenses		67,169	-	67,169
Total current assets		<u>1,947,594</u>	-	<u>1,947,594</u>
Intangible assets	b	489,250	74,398	563,648
Property and equipment	b	4,500,988	(74,398)	4,426,590
		<u>6,937,832</u>	-	<u>6,937,832</u>
LIABILITIES				
Current				
Accounts payable, accruals, and provisions		1,405,263	-	1,405,263
Current portion of finance leases		67,248	-	67,248
Total current liabilities		<u>1,472,511</u>	-	<u>1,472,511</u>
Finance leases		173,894	-	173,894
Convertible debentures		1,874,992	-	1,874,992
Total liabilities		<u>3,521,397</u>	-	<u>3,521,397</u>
SHAREHOLDERS' EQUITY				
Equity instruments		9,160,806	-	9,160,806
Equity component		135,000	-	135,000
Contributed surplus	a	126,478	49,254	175,732
Deficit	a	(6,005,849)	(49,254)	(6,055,103)
Total equity		<u>3,416,435</u>	-	<u>3,416,435</u>
Total liabilities and equity		<u>6,937,832</u>	-	<u>6,937,832</u>

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of equity:

		March 31, 2010		
		Canadian GAAP	Effect of IFRS transition	IFRS
	Note	\$	\$	\$
ASSETS				
Current				
Cash		208,677	-	208,677
Accounts receivable		558,773	-	558,773
Prepaid expenses		53,746	-	53,746
Total current assets		<u>821,196</u>	-	<u>821,196</u>
Intangible assets	b	565,067	86,071	651,138
Property and equipment	b	2,716,389	(86,071)	2,630,318
Total assets		<u>4,102,652</u>	-	<u>4,102,652</u>
LIABILITIES				
Current				
Accounts payable, accruals, and provisions		<u>375,376</u>	-	<u>375,376</u>
SHAREHOLDERS' EQUITY				
Equity instruments		8,332,906	-	8,332,906
Contributed surplus	a	80,000	22,138	102,138
Deficit	a	(4,685,630)	(22,138)	(4,707,768)
Total equity		<u>3,727,276</u>	-	<u>3,727,276</u>
Total liabilities and equity		<u>4,102,652</u>	-	<u>4,102,652</u>

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of equity:

		January 1, 2010		
		Canadian GAAP	Effect of IFRS transition	IFRS
	Note	\$	\$	\$
ASSETS				
Current				
Cash		725,077	-	725,077
Accounts receivable		472,034	-	472,034
Prepaid expenses		61,998	-	61,998
Total current assets		<u>1,259,109</u>	-	<u>1,259,109</u>
Intangible assets	b	612,073	89,085	701,158
Property and equipment	b	2,712,068	(89,085)	2,622,983
Total assets		<u>4,583,250</u>	-	<u>4,583,250</u>
LIABILITIES				
Current				
Accounts payable, accruals and provisions		<u>568,869</u>	-	<u>568,869</u>
SHAREHOLDERS' EQUITY				
Equity instruments		8,319,573	-	8,319,573
Contributed surplus	a	75,000	19,804	94,804
Deficit	a	(4,380,192)	(19,804)	(4,399,996)
Total equity		<u>4,014,381</u>	-	<u>4,014,381</u>
Total liabilities and equity		<u>4,583,250</u>	-	<u>4,583,250</u>

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
 March 31, 2011
 (Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of comprehensive loss for the year ended December 31, 2010:

	Note	Canadian GAAP \$	Effect of IFRS transition \$	IFRS \$
REVENUE				
Rental revenue		2,841,419	-	2,841,419
OPERATING EXPENSES				
Rental services		1,177,705	-	1,177,705
General and administrative		2,010,828	-	2,010,828
Depreciation and amortization		999,536	-	999,536
		<u>4,188,069</u>	-	<u>4,188,069</u>
OPERATING PROFIT		<u>(1,346,650)</u>	-	<u>(1,346,650)</u>
OTHER EXPENSES				
Corporate services		192,314	-	192,314
Stock-based compensation	a	51,478	29,450	80,928
Financing costs		50,955	-	50,955
Other		(15,740)	-	(15,740)
		<u>279,007</u>	<u>29,450</u>	<u>308,457</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		<u>(1,625,657)</u>	<u>(29,450)</u>	<u>(1,655,107)</u>

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Reconciliation of comprehensive loss for the 3 months ended March 31, 2010:

	Note	Canadian GAAP \$	Effect of IFRS transition \$	IFRS \$
REVENUE				
Rental revenue		740,845	-	740,845
OPERATING EXPENSES				
Rental services		458,991	-	458,991
General and administrative		433,479	-	433,479
Depreciation and amortization		142,676	-	142,676
		<u>1,035,146</u>	-	<u>1,035,146</u>
OPERATING PROFIT		<u>(294,301)</u>	-	<u>(294,301)</u>
OTHER EXPENSES				
Corporate services		20,539	-	20,539
Stock-based compensation	a	5,000	2,334	7,334
Financing costs		833	-	833
Other		(15,235)	-	(15,235)
		<u>11,137</u>	<u>2,334</u>	<u>13,471</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		<u>(305,438)</u>	<u>(2,334)</u>	<u>(307,772)</u>

RMS SYSTEMS INC.
Notes to Condensed Consolidated Interim Financial Statements
March 31, 2011
(Unaudited - prepared by management)

18. EXPLANATION OF TRANSITION TO IFRS (Continued)

Notes to the reconciliations:

Material adjustments to the statement of cash flows for 2010

There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under Canadian GAAP.

- (a) Stock-based compensation requires the expense related to share-based payments to be recognized as the options vest. For options with different vesting periods, each vesting tranche must be treated as a separate option grant which accelerates the expense recognition ("Graded Vesting Amortization") in comparison to Canadian GAAP which allows the expense to be recognized on a straight-line basis over the period the options vests. The Company must also apply an estimated forfeiture rate at the initial grant date for each option tranche. The forfeiture rate is taken into account by adjusting the number of options expected to vest under each tranche and subsequently revising this estimate throughout the vesting period, as necessary. As a result, contributed surplus was increased by \$19,804 at January 1, 2010 (December 31, 2010 - \$49,254) and deficit was increase by \$19,804 at January 1, 2010 (December 31, 2010 - \$49,254).

	For the three months ended March 31, 2010	
Increase in stock based compensation expense		\$ 2,334
Adjustment before income tax		\$ 2,334
	January 1, 2010	December 31, 2010
Increase in contributed surplus	\$ (19,804)	\$ (49,254)
Increase in deficit	\$ (19,804)	\$ (49,254)

- (b) Under IAS 38, computer software has been reclassified from property and equipment to intangible assets. As a result, intangible assets was increased by \$89,085 at January 1, 2010 (December 31, 2010 - \$74,398) and property and equipment was decrease by \$89,085 at January 1, 2010 (December 31, 2010 - \$74,398).

	For the three months ended March 31, 2010	
Consolidated statement of comprehensive income		\$ -
Adjustment before income tax		\$ -
	January 1, 2010	December 31, 2010
Increase in intangible assets	\$ 89,085	\$ 74,398
Decrease in property and equipment	(89,085)	(74,398)
Increase in deficit	\$ -	\$ -