

## **RMS SYSTEMS INC.**

### **MANAGEMENT DISCUSSION and ANALYSIS**

### **FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2008**

The following Management's Discussion and Analysis (MD&A") of the financial results for RMS Systems Inc. (the "Company") should be read in conjunction with the consolidated financial statements for the 9 months ended September 30, 2008. This MD&A was prepared as of November 24, 2008. It contains certain forward-looking statements that involve known and unknown risks and uncertainties, such as changes in commodity prices and government regulations, which are beyond the Company's control. Actual results could differ materially from those expressed here.

#### Forward-looking Statements

Certain information regarding the Company set forth in this report, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond the Company's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits the Company can derive therefrom. Readers should be aware that historical results are not necessarily indicative of future performance.

#### **Overall Performance**

The Company was incorporated pursuant to the Alberta *Business Corporations Act* (the "Act"). On September 29, 2008 the Company completed an amalgamation by which it changed its name from C-Data Communications Inc. ("C-Data") to RMS Systems Inc. The Company is a technology company which commenced business in May, 2005. It has four wholly owned subsidiaries (all incorporated pursuant to the Act): BARB Projects Ltd., CDHM Offshore Ltd., RigManager Services Ltd. and Quatros Communications Ltd. The Company is a private corporation.

The Company has developed a drilling rig data analysis product for the drilling industry (the "RigManager System"). This RigManager System has been designed to provide oil and gas producers with accurate drilling feedback during the drilling of an oil or gas well. The RigManager System developed by the Company is anticipated to be of value to oil and gas producers in Alberta and through-out the world. Since its inception in 2005, the Company has developed the RigManager System and related hardware and software. The Company spent approximately \$1.3 million in the development of the RigManager System. Through this drilling rig monitoring software the RigManager System provides real time data acquisition from the drilling rig to both the drilling site and the oil and gas exploration company's offices through a web portal. The Company is the developer of its software and utilizes licensed industry proven data collection sensors in the RigManager System. The Company licenses the RigManager System to its wholly owned subsidiary, RigManager Services Ltd. RigManager Services Ltd. markets and provides support services to industry clients. The RigManager System will usually be licensed to the oil and gas exploration company and drilling contractor utilizing it. The Company will earn revenue based upon the level of service contracted for by the exploration and drilling company and the days of operation of the drilling rig. In other instances a long term license may be entered into for a one time lump sum fee.

During the period ended March 31, 2008 the Company entered into a contract with a major oil and gas producer ("the Supply Contract"). The potential of this contract is to place the RigManager System on up to 25 drilling rigs at anticipated revenue of approximately \$10,000 per rig per month. It has been agreed that the RigManager System will be placed initially on 5 rigs with subsequent roll-outs of the RigManager System occurring over the following months of 2008 and early 2009. This contract provides that after each 5 unit roll out a review of the RigManager System will be made by the parties and the next deliveries will not be made until all issues are

resolved. While the Supply Contract is with one producer only, management of the Company believes that the RigManager System is very competitive to others in the market place and it believes it will be able to succeed in entering into other significant contracts with other producers. As of September 30, 2008 the Company had delivered and installed 5 RigManager units under the Supply Contract. The Company anticipates having supplied and installed a total of 12 RigManager Units under the Supply Contract by the end of the year with the remainder of the RigManager Units having been supplied and installed by prior to March 31, 2009. The time for the manufacture of each RigManager Unit from the time of order is approximately six weeks. The time for installation of each RigManager Unit is approximately one week. Each RigManager Unit costs approximately US\$100,000 to manufacture and install.

In addition to RigManager Services Ltd., the Company also is the sole shareholder of Quatros Communications Ltd. ("Quatros") which is a company providing video conferencing service and installations to businesses throughout western Canada . It is not anticipated that Quatros' business will form a significant portion of the go forward operations of the Company.

The Company's other two subsidiaries, CDHM Offshore Ltd. and Barb Projects Ltd., own no assets and have no active operations.

On May 26, 2008, the Company completed a private placement through which it raised a total of \$770,000 through the issuance of 3,850,000 Class A common Voting Shares (at the subscription price of \$0.20 per Class A Common Voting Share). The majority of these funds have been used to acquire and install six RigManager Systems on rigs. The capital required for the second phase of the rollout was secured from the amalgamation with Tiger-Cat Energy Ltd. ("Tiger-Cat").

On May 27, 2008, the Company entered into an Amalgamation Agreement pursuant to which the Company and Tiger-Cat Energy Ltd. ("Tiger-Cat") agreed to amalgamate (the "Amalgamation"). This Amalgamation Agreement was subsequently amended on July 29, 2008 (together the original agreement and amended agreement are herein referred to as the "Amalgamation Agreement"). Final closing of the Amalgamation took place on September 29, 2008.

Pursuant to the Amalgamation each Tiger-Cat shareholder received one common share ("Amalco Share") of the amalgamated corporation ("Amalco") for each 2.98 common shares of Tiger-Cat held. Each former shareholder of C-Data received one Amalco Share for each one common share of C-Data held.

At the same time as the completion of the Amalgamation, the principal amount owing on \$1,529,212 of the Convertible Debentures issued by the Company was converted to common shares resulting in the issuance of 6,920,332 common shares and all interest on these Convertible Debentures was forgiven by agreement of the parties. A total of \$2,500 of the principal amount owed on the C-Data Convertible Debentures (plus accrued interest) was repaid by cash.

Upon completion of the Amalgamation a total of 11,406,655 common shares were issued to the former shareholders of Tiger-Cat and a total of 15,156,060 common shares were issued to the former C-Data shareholders. The Company currently has outstanding 26,562,715 common shares, 100,000 share purchase warrants, and no stock options.

## Overview of Financial Information

<b>Financial Highlights</b>	<b>For the three months ended September 30, 2008 \$</b>	<b>For the six months ended September 30, 2008 \$</b>	<b>For the year ended December 31, 2007 \$</b>
Revenue	148,640	168,810	-
General and administrative expense	341,663	679,643	410,576
Net income/(loss)	(82,232)	(557,728)	(580,535)
Per share – basic and diluted	(0.010)	(0.087)	(0.14)
Deferred development costs	-	(155,543)	560,675
Property and equipment expenditures	(181,819)	(694,145)	47,210
Weighted average shares outstanding			
Basic	8,434,934	6,403,110	4,299,703
Diluted	8,434,934	6,403,110	4,299,703

### Revenue

Revenue for the three months ended September 30, 2008 was \$148,640 and \$168,810 for the nine months ended September 30, 2008. These amounts are from 5 RigManager Systems that have been deployed as of September 30, 2008 pursuant to the Supply Contract. Revenue is anticipated to increase as the Company deploys additional RigManager Units under the Supply Contract.

In June 2007 Tiger-Cat completed the sale of its wholly owned Australian subsidiary, Bronco Energy Pty. Ltd. ("Bronco") (and thereby the sale of its interests in certain Australian lands) to Santos Ltd. ("Santos") for a sale price of AUD\$10.53 million. This sale price was made up of three payments. AUD\$2,531,220 (approximately CAD\$2,276,000) was paid on June 25, 2007. The second payment in the amount of AUD\$3 million is not payable unless and until Santos' share of production of the proven plus probable reserves from its interest in the lands would be 100 PJ (approximately 95 Bcf). The third payment in the amount of AUD\$5 million is not payable unless and until Santos' share of production of the proven plus probable reserves from its interest in the lands would be 200 PJ (approximately 190 Bcf). The conditions for the second and third payments were not met as of September 30, 2008. As a result, although drilling activities have occurred on the lands, the Company has treated these payments as being contingent and therefore a value of approximately \$2,000,000 has been placed upon them. It is possible that in the future the conditions for payment will be met or the Company may negotiate an early pay-out of the amounts potentially owed.

### General and Administrative

General and administrative expenses for the three months ended September 30, 2008 was \$341,663 and \$679,643 for the nine months ended September 30, 2008, compared to \$410,576 for the year ended December 31, 2007. When prorated for the quarter, general and administrative expenses have increased. This increase is mainly due to the staffing and preparation required in order for the Company to position itself such that it is capable of executing on its obligations under the Supply contract. As at September 30, 2008, salaries contributed to 54% of the general and administrative costs, telephone and networked telecommunications contributed to 18%, professional fees contributed to 5% and office rent contributed to 8%.

The General and Administrative expenses of the Company are expected to decrease by approximately \$4,000 per month as a result of the Company having moved to new office premises in August, 2008. However, with the completion of the Amalgamation, additional expenses associated with the Company being listed on the TSX-Venture Exchange are anticipated. These expenses include the hiring of a Chief Financial Officer and controller, and the salary associated with same. The Company anticipates that its salaries will increase by approximately \$50,000 in the fourth quarter of 2008.

## **Liquidity**

The consolidated working capital at September 30, 2008 was \$805,703 compared to a working capital deficiency of \$213,834 at December 31, 2007. The increase is due mainly to the below factors:

- cash acquired on the acquisition of Tiger-Cat in the approximate amount of \$1,316,000.
- accounts payable forgiven by a large supplier in the approximate amount of \$186,000.
- interest on convertible debenture forgiven by the debentureholders in the approximate amount of \$303,000.
- Cash received from private placements in the amount of \$780,000

Net of:

- the costs spent of further development of the RigManager System in the approximate amount of \$155,000.
- cost spent on production of additional units in the approximate amount of \$700,000.
- Cash outflow from operations in the approximate amount of \$500,000.

Other than the Supply Contract, the Company currently does not have any material contractual obligations at September 30, 2008.

The Company issued a promissory note in the principal amount of \$500,000. This amount was unsecured, bore interest at 12% per annum and was repaid on its maturity date of October 29, 2008.

Three shareholders holding an aggregate of 4,070,735 Tiger-Cat common shares (equivalent to 1,366,017 of Amalco common shares) have dissented to the combination. As the dissenting shareholders effectively forfeited their shares pursuant to their dissent action, their shares have been removed from the number of shares issued and outstanding. Following the end of the quarter, in accordance with Section 184, the Company made an offer to the dissenting shareholder, representing the Company's determination of the fair value of the Tiger-Cat shares held as of the determination date (being September 15, 2008). The determination of the fair value is currently scheduled to be heard by a Justice of the Alberta Court of Queen's Bench during the first quarter of 2009. Upon the hearing or other resolution of these dissent proceedings, the Company anticipates that it will be required to pay to the dissenting shareholders of at least \$250,000.

## **Deferred Development Expenditures**

During the three months ended September 30, 2008, the Company has spent \$nil on development expenditures and \$155,543 for the nine months ended September 30, 2008. These costs are mainly salaries to develop the technology in the RigManager System. In the future, as it is anticipated that the RigManager System will be in commercial production, future development expenditures are anticipated to reduce significantly.

## **Property and Equipment Expenditures**

During the three months ended September 30, 2008, the Company has spent \$181,819 on property and equipment and \$694,145 for the nine months ended September 30, 2008. These amounts relate to the 5 RigManager Systems which have been deployed pursuant to the Supply Contract. In the future, as additional RigManager Units are deployed the property and equipment expenditures are anticipated to increase from the units themselves and the purchase of a fleet of trucks needed to service the units.

The Company's current manufacturer of the RigManager Units is located in the United States. As a result, the recent change in the exchange rate between the United States dollar and the Canadian dollar will have an impact on the Company's cost to supply RigManager Units in the future. In order to decrease this exposure, the Company is exploring other options for the manufacture of its products. In addition, the Company may be entitled to a large amount of money from Australia (AUD\$8 million). The Canadian dollar has also recently strengthened in comparison to the Australian dollar. A continued strengthening of the Canadian dollar vis-à-vis the Australian dollar will negatively impact the Company.

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

The Company does not have any special purpose entities nor is it party to any arrangement that would be excluded from the balance sheet.

### **Related Party Transactions**

During the three month period ended September 30, 2008, the Company accrued \$38,526 and \$133,876 for the nine months ended September 30, 2008 of interest on the convertible debentures.

### **Changes in Accounting Policies Including Initial Adoption**

#### Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, RigManager Services Ltd., Quatros Communications Ltd., BARB Projects Ltd. and CDHM Offshore Inc. All significant inter-company accounts and transactions have been eliminated.

#### Financial Instruments

The Company adopted the following new CICA Handbook Sections, which were effective beginning January 1, 2008:

- Section 3862 – “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, Financial Instruments – Presentation” replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.
- Section 3863 – “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives.
- Section 1535 – “Capital Disclosures”, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.
- Section 3031 – “Inventories”, which replaces Section 3030. This section is harmonized with International Accounting Standards and provides additional guidance on the measurement and disclosure requirements for inventories. This new standard did not have an impact on the Company's financial statements.
- The CICA has amended Section 1400, “General Standards of Financial Statement Presentation”, which include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section did not have an impact on the financial statements

#### Accounting Pronouncements

- Section 3064 – “Goodwill and Intangible Assets”, will be adopted on January 1, 2009. These sections establish standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements but does not expect that the adoption of this new Section will have a material impact on its financial statements.

#### Future Accounting Change

On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards (“IFRS”). The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. The Company is continuing to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS and, at this time, the impact on the future financial position and results of operations is not reasonably determinable or estimable.

#### **Financial and Capital Management**

All financial instruments are initially recognized at fair value on the balance sheet. The Company has classified each financial instrument into one of the following categories: held-for-trading (assets and liabilities), loans and receivables, financial assets available-for-sale, financial assets held-to-maturity, and other financial liabilities.

Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. Financial assets "held-to-maturity: "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

Cash is classified as "held-for-trading. Accounts receivable is classified as "loans and receivables". Bank indebtedness, accounts payable and accrued liabilities, due to related parties, and convertible debentures are designated as "other financial liabilities".

The Company is exposed to financial risk in a range of financial instruments including accounts receivable and accounts payable. 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 discussed below:

#### *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. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

### *Capital Risk*

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 and benefits for other stakeholders. 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 management; but rather promotes year over year sustainable and growth in net income and funds flow. The Company defines capital as total equity less total debt.

### *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 three month period ended September 30, 2008 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 a significant portion of the Company's receivables are from the government for investment tax credits and to one customer. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### *Currency Risk*

Currency risk will impact the value of the financial assets and liabilities on the balance sheet at September 30, 2008. Changes in the U.S. to Canadian, and Australian to Canadian exchange rate, will impact the realization of certain assets and payment of certain liabilities.

## **Financial Instruments**

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to fair value and industry credit risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

### *Fair Value*

The carrying values of financial instruments, which include cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

### *Credit Risk*

The Company is exposed to credit risk to the extent that its customers, operating primarily in the oil and natural gas industry, may experience financial difficulty and would be unable to meet their obligations. However, the Company assesses the credit worthiness of its customers on a continual basis. The credit exposure is minimal as there are a minimal amount of customers.

## **Conclusions regarding the effectiveness of disclosure controls and procedures**

Effective for the year end 2005, securities regulations state that the Company is to evaluate the effectiveness of its disclosure controls and procedures over financial reporting and disclose in its MD&A the conclusions of such evaluation. Disclosure controls are controls and procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation conducted, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of disclosure controls and procedures were effective as at September 30, 2008 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the organization.

## Design of internal controls over financial reporting

Effective for the year end 2006, securities regulations state that the Company is to design and implement internal controls over financial reporting and disclose in its MD&A any material changes in the Company's internal control over financial reporting that occurred during the Company's most recent interim period. Internal controls are processes designed and implemented by management to provide reasonable assurance regarding the reliability the Company's financial reporting and the preparation of financial statements and other financial information for external purposes in accordance with Canadian GAAP. For the year ended December 31, 2006, the Chief Executive Officer and the Chief Financial Officer have designed internal controls over financial reporting, or caused them to be designed under their supervision. The only material change in the Company's internal control over financial reporting since its third quarter interim report is the hiring of a Controller to, among other duties, assist in the design and implementation of internal controls over financial reporting and provide for adequate segregation of duties for accounting and financial matters. Management has concluded that internal controls are adequately designed in this regard, considering the employees involved and the control procedures in place, including management and Audit Committee oversight and quarterly external auditor reviews. Occasionally, the Company requires outside assistance and advice on taxation, new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. With respect to information technology and information systems, management is aware that in-house expertise to deal with these systems may not be sufficient so the Company has engaged a third party to provide the required expertise and support. A third-party developed production accounting system is currently being used. It should be noted, that the Company's control system, no matter how well designed, can provide only reasonable, but not absolute, assurance of detecting, preventing and deterring errors or fraud.

## Risks and Uncertainties

An insurance program is maintained to mitigate risks and to protect against significant losses, while maintaining levels of risk within the Company, which management believes to be acceptable. While the Company believes that its liability, property and business interruption insurance is adequate and consistent with industry participants of the Company's size, the Company is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

The Company's operations may be adversely affected by changes in governmental policies, regulations or taxation concerning the Canadian oil and natural gas industry. Changes in any of these areas may significantly increase the Company's costs or adversely affect its ability to conduct business.

The recent economic down turn has resulted in lower oil and gas prices. It is anticipated that should these lower prices prevail, they will result in lower drilling activity. The Company has begun to see a reduction in planned drilling programs. Such reductions will negatively impact the Company's cash flow from the Supply Contract and will negatively impact the Company's ability to enter into other contracts for the supply of RigManager Units.

The Company's operations are highly dependent on its executive officers and key personnel. The loss of the services of any of these people could have an adverse effect on the Company.

The financial statements for the period ended September 30, 2008 are incorporated by reference herein and form an integral part of this MD&A.

"signed: Robert Webb"

Robert Webb  
Chief Executive Officer

"signed: Denny Chow"

Denny Chow  
Chief Financial Officer