

*Consolidated financial statements of*

**RMS SYSTEMS INC.**  
**(Unaudited)**

*September 30, 2009*

*In accordance with National Instrument 51-102 released by the Canadian Securities administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the period ended September 30, 2009.*

**RMS SYSTEMS INC.**  
**Consolidated Balance Sheets**  
**(Unaudited)**

	September 30, 2009 \$	December 31, 2008 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	1,234,524	3,386,313
Accounts receivable	408,749	481,298
Prepaid expenses	75,038	49,323
	<u>1,718,311</u>	<u>3,916,934</u>
DEFERRED DEVELOPMENT (Note 3)	659,079	831,571
PROPERTY AND EQUIPMENT (Note 4)	2,477,233	1,621,037
	<u>4,854,623</u>	<u>6,369,542</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	298,871	385,213
<b>SHAREHOLDERS' EQUITY</b>		
Equity instruments (Note 5)	8,319,573	8,319,573
Contributed surplus (Note 6)	62,000	6,000
Deficit	(3,825,821)	(2,341,244)
	<u>4,555,752</u>	<u>5,984,329</u>
	<u>4,854,623</u>	<u>6,369,542</u>

**RMS SYSTEMS INC.**

**Consolidated Statements of Operations, Comprehensive Loss and Deficit**

**(Unaudited)**

	<b>For the 3 months ended September 30, 2009</b>	<b>For the 3 months ended September 30, 2008</b>	<b>For the 9 months ended September 30, 2009</b>	<b>For the 9 months ended September 30, 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>				
Rental	<b>446,563</b>	148,640	<b>830,051</b>	168,810
<b>EXPENSES</b>				
Rental services	<b>351,806</b>	130,808	<b>667,482</b>	130,808
General and administrative	<b>362,995</b>	210,855	<b>1,209,191</b>	548,835
Interest	-	43,527	<b>545</b>	139,721
Amortization	<b>151,275</b>	138,338	<b>382,451</b>	190,182
Stock-based compensation	<b>20,000</b>	-	<b>56,000</b>	-
Accretion of convertible debentures	-	9,907	-	19,813
	<b>886,076</b>	533,435	<b>2,315,669</b>	1,029,359
<b>OTHER</b>				
Interest income	-	-	-	258
Gain for forgiveness of debt	-	302,563	<b>1,041</b>	302,563
	-	302,563	<b>1,041</b>	302,821
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>				
	<b>(439,513)</b>	(82,232)	<b>(1,484,577)</b>	(557,728)
<b>DEFICIT, BEGINNING OF PERIOD</b>				
	<b>(3,386,308)</b>	(1,703,210)	<b>(2,341,244)</b>	(1,227,714)
<b>DEFICIT, END OF PERIOD</b>				
	<b>(3,825,821)</b>	(1,785,442)	<b>(3,825,821)</b>	(1,785,442)
<b>LOSS PER SHARE (NOTE 5)</b>				
Basic and diluted	<b>(0.02)</b>	(0.01)	<b>(0.06)</b>	(0.09)

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

	For the 3 months ended September 30, 2009 \$	For the 3 months ended September 30, 2008 \$	For the 9 months ended September 30, 2009 \$	For the 9 months ended September 30, 2008 \$
<b>CASH FLOW RELATED TO THE FOLLOWING ACTIVITIES:</b>				
<b>OPERATING</b>				
Net loss	(439,513)	(82,232)	(1,484,577)	(557,728)
Adjustment for:				
Amortization	151,275	138,338	382,451	190,182
Gain on forgiveness of debt	-	(302,563)	(1,041)	(302,563)
Stock-based compensation	20,000	-	56,000	-
Accrued interest on convertible debenture	-	38,526	-	133,876
Accretion of convertible debentures	-	9,907	-	19,813
	<b>(268,238)</b>	<b>(198,024)</b>	<b>(1,047,167)</b>	<b>(516,420)</b>
Changes in non-cash working capital				
Accounts receivable	(299,040)	(78,520)	72,549	(75,361)
Prepaid expenses	(33,995)	(8,000)	(25,715)	(8,000)
Accounts payable and accrued liabilities	177,522	158,505	(152,126)	93,232
	<b>(423,751)</b>	<b>(126,039)</b>	<b>(1,152,459)</b>	<b>(506,549)</b>
<b>INVESTING</b>				
Purchase of property and equipment	(154,368)	(181,819)	(1,093,808)	(694,145)
Deposit received pre-business combination	-	200,000	-	200,000
Cash acquired from business combination	-	1,316,243	-	1,316,243
Development expenditures	-	-	-	(105,543)
Proceeds from development expenditure refund	27,654	-	27,654	-
Changes in non-cash investing activities	59,487	-	66,824	(50,000)
	<b>(67,227)</b>	<b>1,334,424</b>	<b>(999,330)</b>	<b>666,555</b>
<b>FINANCING</b>				
Repayments to related parties	-	(200,000)	-	38,404
Advances from promissory note	-	505,000	-	505,000
Proceeds from issuance of share capital	-	-	-	720,000
Proceeds from convertible debentures, net	-	-	-	10,000
	<b>-</b>	<b>305,000</b>	<b>-</b>	<b>1,273,404</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(490,978)</b>	<b>1,513,385</b>	<b>(2,151,789)</b>	<b>1,433,410</b>
<b>CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD</b>	<b>1,725,502</b>	<b>19,609</b>	<b>3,386,313</b>	<b>99,584</b>
<b>CASH, END OF PERIOD</b>	<b>1,234,524</b>	<b>1,532,994</b>	<b>1,234,524</b>	<b>1,532,994</b>

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**1. NATURE OF OPERATIONS**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Goodwill and Other Intangible Assets*

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

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

*International Financial Reporting Standards ("IFRS")*

In February 2008, the CICA's Accounting Standards Board confirmed that Canadian publicly accountable entities will be required to adopt IFRS as promulgated by the International Accounting Standards Board in place of generally accepted accounting principles in Canada ("GAAP") effective January 1, 2011. The Company is currently assessing which accounting policies will be affected by the change to IFRS and the potential impact of these changes on its financial position and results of operations.

**3. DEFERRED DEVELOPMENT**

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>\$</u>	<u>\$</u>
Accumulated costs, beginning of period	831,571	785,775
Additional costs deferred during the period	-	155,543
Investment tax credits accrued or received	(27,654)	(35,000)
Adjustment to investment tax credit balance	-	72,000
Amortization	(144,838)	(146,747)
Deferred development costs, end of period	<u>659,079</u>	<u>831,571</u>

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**4. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
	\$	\$	\$
<b><u>September 30, 2009</u></b>			
Parts and raw materials	1,049,565	-	1,049,565
Rental equipment	1,371,569	267,757	1,103,812
Vehicles	216,108	48,624	167,484
Computer hardware	169,916	150,571	19,345
Computer software	99,198	21,720	77,478
Office furniture	14,440	2,296	12,144
Leasehold improvements	58,636	11,231	47,405
	<b>2,979,432</b>	<b>502,199</b>	<b>2,477,233</b>
<b><u>December 31, 2008</u></b>			
Parts and raw materials	803,532	-	803,532
Rental equipment	464,952	23,248	441,704
Computer hardware	470,734	235,731	235,003
Computer software	100,218	8,065	92,153
Office furniture	2,961	592	2,369
Leasehold improvements	48,712	2,436	46,276
	<b>1,891,109</b>	<b>270,072</b>	<b>1,621,037</b>

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**5. EQUITY INSTRUMENTS**

*Authorized*

Unlimited number of common voting shares

*Issued*

	<u>Number of Shares</u>	<u>Amount \$</u>
<b>Common shares</b>		
Balance at December 31, 2008 and September 30, 2009	<u>26,562,715</u>	<u>8,311,873</u>
<b>Common share purchase warrants</b>		
Balance at December 31, 2008 and September 30, 2009	<u>100,000</u>	<u>7,700</u>
<b>Total equity instruments at September 30, 2009</b>		<u>8,319,573</u>
Total equity instruments at December 31, 2008		<u>8,319,573</u>

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

	<u>Number of Shares</u>	<u>Option Price per Share \$</u>	<u>Weighted Average Exercise Price \$</u>	<u>Weighted Average Grant-Date Fair Value \$</u>
Options outstanding, December 31, 2008	<b>1,845,000</b>	<b>0.20</b>	<b>0.20</b>	<b>0.08</b>
Granted	<b>100,000</b>	<b>0.20</b>	<b>0.20</b>	<b>0.08</b>
Options outstanding, September 30, 2009	<b>1,945,000</b>	<b>0.20</b>	<b>0.20</b>	<b>0.08</b>

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**5. EQUITY INSTRUMENTS (Continued)**

The following table summarizes information about the stock options outstanding at September 30, 2009:

<b>Options Outstanding</b>	<b>Option Price</b> \$	<b>Weighted Average Grant Date Fair Value</b> \$	<b>Weighted Average Remaining Contractual Life</b>	<b>Number of Options Currently Exercisable</b> \$	<b>Weighted Average Exercise Price of Options Currently Exercisable</b> \$
1,945,000	0.20	0.20	4.20 years	-	-

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

	<b>For the 3 months ended September 30, 2009</b>	For the 3 months ended September 30, 2008	<b>For the 9 months ended September 30, 2009</b>	For the 9 months ended September 30, 2008
Weighted average common shares outstanding – basic	<b>26,562,715</b>	8,449,782	<b>26,562,715</b>	6,408,132
Effect of stock options	-	-	-	-
Effect of warrants	-	-	-	-
Weighted average common shares outstanding – diluted	<b>26,562,715</b>	8,449,782	<b>26,562,715</b>	6,408,132

As the Company is in a loss position, diluted loss per share has not been disclosed as the effect would be anti-dilutive.

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**6. CONTRIBUTED SURPLUS**

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>\$</u>	<u>\$</u>
Balance, beginning of period	6,000	-
Stock based compensation	56,000	6,000
Balance, end of period	<u>62,000</u>	<u>6,000</u>

**7. RELATED PARTY TRANSACTION**

During the nine month period ended September 30, 2009, the Company paid, to a company related by virtue of common directors and officers, the amount of \$45,000 for reimbursement of general and administrative expenses.

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

**8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

**FINANCIAL INSTRUMENTS**

The Company is exposed to financial risk in a range of financial instruments including cash, accounts receivable, accounts payable and accrued liabilities. At September 30, 2009, the fair value of cash, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the relatively short term nature. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

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

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)**

*Liquidity Risk*

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

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

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

*Credit Risk*

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. During the period ended September 30, 2009, there was no impairment provision required on any of the financial assets of the Company. The Company does have a concentration of credit risk as 71% of the Company's trade receivables are from one customer which contributed to \$598,275 of revenues in the nine month period ended September 30, 2009. As such, the Company is economically dependent on this one customer. As at September 30, 2009, 100% of the Company's receivables are trade receivables.

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

The Company's accounts receivables are aged as follows:

	Total \$
Current (less than 30 days)	197,487
30 to 60 days	138,765
61 to 90 days	67,006
Over 90 days	5,491
Total	408,749

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**8. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)**

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

The Company assesses quarterly if there has been any impairment of the financial assets of the Company. During the nine months ended September 30, 2009, there was no impairment provision required on any of the financial assets of the Company due to historical success of collecting receivables.

*Currency Risk*

Currency risk will impact the value of the financial assets and liabilities on the balance sheet at September 30, 2009. Currently the RigManager System Unit is deployed only in Canada (and therefore all revenue is in Canadian currency), but the majority of the manufacture of the RigManager System Unit occurs in the United States (and therefore these expenses are in United States currency). Changes in the U.S. to Canadian exchange rate will impact the realization of certain assets and payment of certain liabilities.

*Market risk*

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

**CAPITAL MANAGEMENT**

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

**RMS SYSTEMS INC.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**September 30, 2009**

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**8. 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.

	<u>September</u> <u>30, 2009</u>
	\$
Total debt	-
Less cash	<u>(1,234,524)</u>
Net debt	<u>(1,234,524)</u>
Total equity	<u>4,555,752</u>
Total capital	<u><u>3,321,228</u></u>

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