

RDM CORPORATION – First Quarter 2010 Report

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of RDM Corporation ("the Company") including the notes thereto for the three months ended December 31, 2009 and should also be read in conjunction with the audited consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended September 30, 2009 as set out in the Company's 2009 Annual Report. Neither this MD&A nor accompanying consolidated interim financial statements have been reviewed or audited by the Company's external auditors.

Forward-Looking Statements

Certain statements contained in this Management's Discussion and Analysis ("MD&A") constitute forward-looking statements. These include statements about Management's expectations, beliefs, intentions or strategies for the future, which are indicated by words such as "anticipate, intend, believe, estimate, forecast and expect" and similar words. All forward-looking statements reflect Management's current views with respect to future events, and are subject to numerous risks, uncertainties and assumptions that have been made. Management has identified a number of important factors that could cause actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements which are discussed in this MD&A, elsewhere in the Company's annual report, and in other continuous disclosure filings of the Company. Forward-looking statements are not guarantees of future performance. Such factors include, the speed of adoption of remote deposit capture in the United States, the continued reliance in the United States on checks as a payment mechanism, the ability of the Company to successfully introduce new products and new service delivery options, fluctuations in the U.S. \$/Canadian \$ exchange rate and competition from larger industry participants. Actual results could vary materially from those that are expressed or implied by these forward-looking statements due to any of the risks and uncertainties that are described in this MD&A, risks and uncertainties that are unknown to Management, or from risks that Management currently believes to be immaterial. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. Additional information relating to the Company and the risks inherent in its business, is provided in the Company's Annual Information Form. Other documents are available on SEDAR at www.sedar.com and on the Company's website at www.rdmcorp.com.

Non-GAAP Measures

Throughout this document the term "segment operating earnings" is used to denote earnings (loss) from each of the Company's operating segments and represents earnings (loss) before interest, general and administration costs and the gain on the sale of the Company's investment in Xign Corporation. The term segment operating earnings does not have any standardized meaning prescribed within Canadian Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. Segment operating earnings is a measure the Company uses to evaluate the performance of its segments. Management believes that RDM shareholders and potential investors in RDM use non-GAAP financial measures such as segment operating earnings in making investment decisions about the Company and measuring the operational results. Note 7 to the Consolidated Financial Statements reconciles segment operating earnings (loss) to net

loss for the quarters ending December 31, 2009 and December 31, 2008. Segment operating earnings (loss) should not be construed as a substitute for net earnings (loss) determined in accordance with GAAP.

Company Overview

RDM is a provider of solutions for the electronic commerce and payment processing markets. RDM has pioneered Remote Check Deposit systems and web-based image management and transaction processing services for retailers, small businesses, banks, financial institutions, payment processors and government agencies, as well as print quality control and image quality systems for a variety of global customers.

RDM evaluates operational performance based on four operating segments: Digital Imaging Products, Payment Processing Services, Electronic Payments Solutions, and Quality Assurance. The segments are managed separately because each segment requires unique marketing strategies and is exposed, at least partially, to different economic environments. The Digital Imaging Products segment produces electronic document readers. The Payment Processing Services segment provides transaction processing to financial institutions and financial services directly to merchants. The Electronic Payments Solutions segment develops customer-specific electronic payment and e-commerce systems based on core RDM technologies to facilitate business-to-business and business-to-consumer electronic transactions. The Quality Assurance segment designs and manufactures test equipment that is used with the Company's proprietary software and algorithms to determine whether cheques and other financial documents have been designed or printed to applicable industry standards.

Overall Performance and Industry Trends

Management believes an important trend impacting the Company, and the U.S. payments industry in general, continues to be Remote Deposit Capture ("RDC"). RDC refers to a deposit taking mechanism that uses technology to capture cheque images and data at corporate or merchant sites and the electronic transmission of these deposits to their financial institutions. The Check Clearing for the 21st Century Act ("Check 21"), which became effective in the United States October 28, 2004 was a catalyst for the adoption of RDC as well as other forms of image based cheque processing. While Check 21 does not require the conversion of paper cheques into electronic transactions or digital images, it does encourage an industry shift away from traditional methods of handling paper cheques by granting Image Replacement Documents ("IRDs") the same legal status as the original paper cheque. While the current paper cheque clearing system in the U.S. is well established, the logistics of moving physical paper cheques across America to clear has long been an impediment to further efficiencies.

Check 21 authorizes the creation of a substitute cheque from images of the front and back of an original paper cheque. Check 21 also enables U.S. banks to unilaterally choose to truncate all paper cheques and provide substitute cheques, or IRDs, to those banks and customers who have not agreed to accept the electronic records or images of the original paper cheques. By promoting the use of imaging technology such as RDM's Image & Transactions Management System ("ITMS"), Check 21 enables the elimination of many costly cheque processing steps and facilitates the development of improvements to bank back-office operations, while at the same time opening the door for new and improved service offerings to bank customers.

The focus of most banks' RDC initiatives has been on a small sub-set of existing corporate clients who represent the most revenue to the banks' treasury management department. The larger market opportunities for RDC services for small and medium sized business are just starting to be addressed by some banks.

In almost all cases, large financial institutions implement their RDC solutions only after a careful evaluation period. Typically, implementations are phased in, beginning with an initial project to assess productivity benefits, test the features of ITMS and evaluate the performance of RDM's solution. Successful initial pilot implementations are followed by higher ITMS transaction volumes as the financial institution then begins selling and deploying the Company's service to their customer base, a process that can take several years. Credit issues facing the U.S. banking sector and weakness in the overall economy have had an impact on the industry. RDM believes that many financial institutions have reduced the resources committed to newer initiatives like RDC or have had to refocus their priorities, and consequently remote deposit rollouts and implementations have become a lower priority.

ITMS transaction volume for the first quarter fiscal 2010 averaged 3.5 million items per week, compared to 3.3 million items in the first quarter of 2009, and 3.7 million items in the fourth quarter of 2009. The decline in the weekly transaction volume from the fourth quarter of 2009 to the first quarter of 2010 is due to fewer business operating days. ITMS end user locations increased from 17,800 to 18,100 during the first quarter of 2010. Scanner volume for the first quarter of 2010 was 5,800 units compared to 7,700 units in the first quarter of 2009.

The Company has 41 bank financial distributors. While this is unchanged from September 30, 2009, two new banks were signed subsequent to December 31, 2009. We also signed a number of credit unions in the quarter which have not been included in the bank financial distributor count.

Our distribution channels were expanded last year to include Independent Sales Organizations ("ISO's"). The products are being sold through ISO's given the issues facing the banking industry and to broaden the distribution channel to accelerate the growth of ITMS revenue. The small business market represents a large potential opportunity for RDC services and our Simply Deposit product. Small businesses will not be required to change their bank depository relationship to use Simply Deposit.

The RDC services that RDM provides through the ISO channel use the same ITMS infrastructure and systems that support our ITMS services provided through banks; however, there is an added level of fee for service that RDM provides for the ISO channel. RDM is responsible for the clearing of the cheques through the payment system and consequently is responsible for any associated merchant credit risk. RDM receives a higher transaction fee for items processed that originated from the ISO channel. We signed two new ISO's during the first quarter to sell this product, bringing the total to 55 ISO's.

The Company continues to invest in building a high-growth profitable business based on recurring revenues from payment processing services through its ITMS services and Digital Imaging hardware product sales.

Our strong cash position allows RDM to be in a position to make strategic investments, if and when they are identified, that add shareholder value.

Summary of Quarterly Results and Selected Financial Information

i) Revenues and Operating Results

For the three months ended December 31, 2009, total revenue was \$5.7 million, a decrease of \$1.4 million from the \$7.1 million for the three months ended December 31, 2008. The majority of the decrease was due to exchange and totaled \$0.9 million. Credit issues facing the US banking industry have had an impact on the industry. Many financial institutions have had resource cuts or have had to refocus their priorities, and remote deposit rollouts and implementations have become a reduced area of focus. Gross profit decreased from \$2.9

million to \$2.3 million and as a percentage of revenues, gross profit for the first quarter of 2010 was 40% of revenues, compared to 42% in the first quarter of 2009 due to the unfavourable impact of exchange rates.

For the three months ended December 31, 2009, the Company's net loss was \$0.5 million compared to a net loss of \$1.6 million in the first quarter of the previous year. The improvement in earnings was due to a gain in foreign exchange totaling \$1.6 million which was primarily driven by gains on the forward contracts the Company maintains for hedging purposes.

Electronic Payments Solutions segment revenues decreased \$392,000 to \$88,000 in the first quarter of 2010 compared to the first quarter of 2009 due to an expected reduction in work with U.S. government agencies which decrease had been previously disclosed by the Company. Quality Assurance segment revenue decreased \$260,000 in the first quarter of 2010 to \$251,000 as compared to the first quarter of 2009.

Digital Imaging Products segment revenues decreased \$843,000 or 22% to \$3.0 million in the first quarter of 2010 compared to the first quarter of 2009. The reduction was due to a decline in scanner sales and the impact of exchange partially offset by non-recurring revenue totaling \$243,000 in the quarter. Overall, the Digital Imaging Products segment generated operating earnings of \$384,000 in the first quarter of 2010 compared to earnings of \$648,000 in the first quarter of 2009. The reduction in scanner volume and exchange impacted the operating earnings for the segment.

Payment Processing Services segment revenues increased \$110,000 or 5% to \$2,354,000 in the first quarter of 2010 compared to the first quarter of 2009. The improvement was driven by growth in end users and transaction volumes but was partially offset by the impact of exchange. Overall, the Payment Processing Services segment experienced an operating loss of \$405,000 in the first quarter of 2010, an improvement of \$246,000 compared to a loss of \$651,000 in the first quarter of 2009.

ii) Operating Expenses

For the three months ended December 31, 2009, sales and marketing expenses decreased \$356,000 or 25% to \$1,069,000. There was an increase in sales and marketing efforts in the previous year focused on signing new ITMS banks and ISO resellers and the launch of Simply Deposit™. The level of spending was reduced in the first quarter of 2010.

Research and development expenses increased \$111,000 as the Company continued to invest in new product development.

General and administration expenses increased \$75,000 to \$553,000.

Stock-based compensation decreased \$69,000 to \$75,000.

Foreign exchange was a gain of \$172,000 in the first quarter of 2010 compared to a loss of \$1,448,000 in the first quarter of the prior year. The gain was due to the impact of a change in exchange rates in the quarter on the forward contracts partially offset by a gain in the U.S. denominated monetary assets. The U.S. dollar weakened in the first quarter of fiscal 2010 whereas it strengthened in the first quarter of 2009.

Interest income decreased \$50,000 due to the dramatic decline in interest rates.

Liquidity

The Company has historically financed its operations primarily through the sale of capital stock and operating cash flow. For the quarter ended December 31, 2009, cash provided by

operations was \$0.6 million compared with \$0.3 million provided by operations in the first quarter of the previous fiscal year.

At December 31, 2009 the Company held cash and cash equivalents of \$16.1 million, an increase of \$0.4 million from the \$15.7 million on hand at September 30, 2009. The strong cash position allows RDM to be in a position to make strategic investments, if and when they are identified, that will add shareholder value. Cash is currently invested in short term low risk investments in Canadian banks. The Company does not hold any asset-backed commercial paper. At December 31, 2009 the Company had net working capital of \$23.3 million as compared to net working capital of \$23.5 million at September 30, 2009.

The Company intends to continue to review its level of operating costs, and continue to drive operations to achieve cash-positive earnings where possible. The Company maintains a \$1.0 million revolving credit facility with its bank. The primary intended use of the facility is to fund short-term working capital requirements and at December 31, 2009 this facility was not drawn upon. While the Company does not anticipate the need for additional working capital in the short term, building a recurring Application Service Provider business such as ITMS does require periodic and routine capital outlays for related hardware and software upgrades. The Company intends to monitor these outlays and determine when and if any additional debt or lease financing may be required.

Capital Resources

Pursuant to its Normal Course Issued Bid, RDM may purchase up to 1,041,871 common shares, representing approximately 5 per cent of the issued and outstanding common shares. The purchases commenced on May 21, 2009 and will terminate on May 20, 2010, or on such earlier date that RDM completes its permitted purchases pursuant to the notice or provides notice of termination of the Bid. During the first quarter, the Company purchased 29,100 shares under the Bid.

At December 31, 2009, the Company has 20.8 million common shares outstanding. In addition, the Company has outstanding 1,795,000 stock options, each of which is exercisable into one common share unchanged from September 30, 2009.

Foreign Exchange Contracts

Substantially all the Company's revenues are in U.S. dollars, and are anticipated in the future to be in U.S. dollars. Fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on the Company's results from operations. In order to reduce exposure to exchange rate fluctuations, the Company enters into Canadian dollar forward contracts. These economic hedge contracts are marked to market through earnings. The contracts are typically for a maximum of twelve months out. The use of these contracts is subject to Management and Board controls and approvals. At December 31, 2009, the Company had outstanding U.S. dollar forward contracts totaling U.S. \$11,475 (2008 - U.S. \$14,250), maturing on or before December 31, 2010 at rates ranging from CDN \$1.28 - CDN \$1.04 to U.S. \$1.00 (2008 CDN \$1.25 - CDN \$1.00 to U.S. \$1.00). The fair value of the U.S. dollar forward contracts outstanding was an asset included in "other assets" totaling CDN \$964 (2008 - asset included in 'other assets' totaling CDN \$1,626).

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counter parties to default on their contractual obligations to the Company, however the Company minimizes this risk by limiting counter parties to these contracts to Canadian Schedule A Chartered Banks.

Commitments

The Company has \$4.9 million in outstanding purchase order commitments and operating leases for the purchase of inventories and capital assets in the normal course of operations. The Company makes purchase order commitments to manage lead-times associated with sourcing its EC6000, EC7000 and RDM Synergy raw material components and resale products including batch scanners with staggered deliveries on these commitments wherever possible. There is \$2.5 million related to purchase commitments and \$2.4 million related to operating leases.

Critical Accounting Estimates and Significant Accounting Policies

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The preparation of these financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, Management bases its estimates on historical experience and other assumptions that it believes are reasonable in the circumstances. Actual results may differ from the estimates, however, there have been no changes made to critical accounting estimates during the past two fiscal years. The following accounting policies reflect the more significant estimates and assumptions used in the preparation of the Company's financial statements.

Revenue Recognition: Revenue recognition is critical because it is a key indicator of the Company's financial performance. Management follows specific guidelines in recognizing revenue and makes estimates and assumptions that affect the reported amounts of revenue. A delay in recognizing revenue could cause operating results to vary significantly from quarter to quarter.

The Company's revenues are derived from product sales and technology licenses, service revenues, transaction fees, and custom development contracts. The Company's operating segments typically derive their revenues from the following sources:

Operating Segment	Revenues
Digital Imaging Products	Product sales
Payment Processing Services	Transaction processing fees
Electronic Payments Solutions	Custom development contracts
Quality Assurance	Product sales, service processing and extended warranty Contracts

Revenue from product sales is recognized upon delivery, provided that no significant obligations on the part of the Company remain and collection of the related receivable is deemed probable by Management.

Revenue from transaction fees is recognized on a per item basis as transaction processing services are provided and when collection of the related receivable is considered probable by Management.

Custom development contract revenue is recognized using the percentage of completion method. Revisions in custom development and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known. Such revisions

could occur as the company continues to measure progress towards completion of these projects.

Service revenue is recognized ratably over the term of the related agreement, which is typically twelve to twenty-four months.

Revenue that has been prepaid but does not yet qualify for recognition as revenue under the Company's revenue recognition policies is reflected as deferred revenue.

Allowance for Doubtful Accounts: Allowance for doubtful accounts relate to estimated losses that may arise if any customers are unable to make required payments. Management specifically analyzes the age of outstanding customer balances, historical bad debt experience, customer credit-worthiness and changes in customer payment terms when making estimates of the uncollectability of the Company's amounts receivable balance. If the Company determines that the financial condition of any of its customers deteriorates, increases in the allowance are made.

Impairment of Inventories, Furniture and Equipment and Intangible Assets: Whenever events or changes in circumstances indicate that the carrying value of inventories, furniture and equipment or intangible assets may not be recoverable, the Company assesses the impairment of these assets. Factors the Company considers important include significant underperformance relative to plan, a change in the Company's business strategy, or significant negative industry or economic trends. When the Company believes that the carrying value of inventories, furniture and equipment or intangible assets may not be recoverable based upon the existence of one or more of the above indicators of potential impairment, the Company determines what impairment, if any, exists and provides for such impairment in the period known.

Income Taxes: The Company believes that it has adequately provided for income taxes based on all of the information that is currently available. Tax filings are subject to audits, which could materially change the amount of current and future income tax assets and liabilities.

In accessing the realizability of future assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with Canadian GAAP in its consolidated financial statements. Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") by others, and is recorded, processed, summarized and reported within the required time periods specified under securities legislation. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting.

The Certifying Officers have evaluated whether there were material weaknesses relating to the design of the Company's internal control over financial reporting existing as at December 31, 2009. No material weaknesses were identified through their evaluation.

The Certifying Officers have evaluated whether there were any changes in the Company's internal control over financial reporting that occurred during the first quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS, as issued by the International Accounting Standards ("IASB"), must be adopted for fiscal years beginning on or after January 1, 2011 by all Canadian publicly accountable enterprises. Changing from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company commenced its IFRS transition project in 2009. An IFRS transition team has been established. The key project requirements and objectives have been communicated to the areas of the organization that will be impacted by IFRS conversion, including the Company's senior executive management team, Board of Directors and Audit Committee. The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the changeover in fiscal 2012.

The Company has completed its preliminary assessment of the differences between IFRS and Canadian GAAP that may potentially impact the recognition, measurement and presentation of the Company's financial statement balances at the transition date of October 1, 2010. As a result, the following standards have been identified as most likely to have a significant financial statement and/or business impact. However, the list below should not be regarded as a complete list of impacts that will result from transition to IFRS as analyses of changes are still in process and not all decisions have been made where accounting policy choices are available. As a result, the Company is not able to reliably quantify the impacts expected on its consolidated financial statements. The differences are summarized below:

IFRS 1	First time adoption of International Financial Reporting Standards
IAS 21	Effects of changes in foreign exchange rates
IFRS 2	Share based compensation
IAS 1	Presentation of Financial Statements
IAS 16	Property Plant and Equipment
IAS 12	Income Taxes
IAS 17	Leases
IAS 18	Revenue
IAS 36	Intangible Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets

A large impact is in presentation and disclosure of the Financial Statements. The Balance Sheet will be classified in order of liquidity and the Statement of Operations will group expenses all by function or all by nature. Further, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required and any process and/or system changes necessary to gather the required information.

The Company is determining if the functional currency for the financial statements should remain the Canadian dollar or if it should change to the US dollar.

IFRS 1 provides a choice between measuring furniture and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company will elect to use the historical valuation under the

Canadian GAAP as the deemed cost for transitional purposes. The Company is also examining its depreciation methods under IFRS.

The Company accounts for all stock-based payments granted to employees and non-employees using the fair value based method as per the amendment by the CICA Accounting Standards Boards to the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" which requires entities to account for employee stock options using the fair value based method. The expense is currently recognized on a straight line basis over vesting period. Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award.

The Company is currently in the process of analyzing policy alternatives allowed under IFRS, the specification of changes required to existing accounting policies and the development of solutions for information systems and business processes. The Company's objective in choosing its IFRS policies and transition elections is to not only be IFRS compliant but to provide the most meaningful and transparent information to its stakeholders.

For each standard, the qualitative and quantitative impacts to the financial statements, disclosure requirements, system requirements, accounting policy decisions, changes to internal controls, including internal controls over financial reporting and business policies and processes will be determined.

To date, the finance staff, other relevant employees including certain members of senior management and the audit committee have attended IFRS training and will continue to receive ongoing training, as needed, throughout the conversion process. The training phase has now been completed.

In addition, the Company is monitoring the IASB's active projects and all changes to IFRS prior to September 30, 2011 and they will be incorporated as required.

Outlook

Our revenue growth rate will continue to be influenced by the overall growth rate in the industry and more particularly by the adoption rate that our partner financial institutions and ISOs achieve with their customer base. It will also be affected by the credit issues facing the U.S. banking industry and by the economy in general.

RDM's reported revenues and earnings will also be affected favorably or unfavorably by any significant changes in the exchange rate between the Canadian and U.S. dollar. While annual revenue growth rates are more predictable, on a quarter by quarter basis, there could be a higher degree of variability due to the timing of orders and deployment schedules of banks and their customers.

The Company continues to look for suitable acquisition opportunities that add shareholder value.

Our corporate strategy is to continue to be product leaders and provide operational excellence to our customers. To achieve this, we plan to continue to invest in Payment Processing Services, namely ITMS infrastructure, functionality and performance.

RDM CORPORATION
Consolidated Balance Sheets
(Amounts In Canadian Dollars, In Thousands)

	December 31, 2009 Unaudited	September 30, 2009 Audited
Assets:		
Current assets:		
Cash and cash equivalents	\$ 16,151	\$ 15,718
Accounts receivable	3,976	4,123
Inventories	2,914	3,409
Investment tax credit receivable	1,815	1,770
Other	1,714	2,039
Total current assets	26,570	27,059
Furniture and equipment	3,053	3,275
Intangible assets	320	288
Total assets	\$ 29,943	\$ 30,622
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,862	\$ 3,062
Deferred revenue	461	498
Total current liabilities	3,323	3,560
Future income tax liability	201	201
Shareholders' equity:		
Share capital (note 5)	27,611	27,639
Contributed surplus	1,961	1,886
Deficit	(3,153)	(2,664)
Total shareholders' equity	26,419	26,861
Total liabilities and shareholders' equity	\$ 29,943	\$ 30,622

See accompanying notes to the Consolidated Financial Statement.

RDM CORPORATION
Consolidated Statements of Operations
(Amounts in Canadian Dollars, In Thousands, Except Per Share Amounts)

Three months ended December 31	2009 (unaudited)	2008 (unaudited)
Revenue	\$ 5,702	\$ 7,087
Cost of revenue	3,446	4,139
Gross profit	2,256	2,948
Operating expenses (income):		
Sales and marketing	1,069	1,425
Research and development	1,182	1,071
General and administration	553	478
Depreciation and amortization	47	60
Stock-based compensation	75	144
Foreign exchange loss (gain)	(172)	1,448
Interest income	(9)	(59)
	2,745	4,567
Loss before income taxes	(489)	(1,619)
Income tax expense	-	-
Net loss and comprehensive loss	\$ (489)	\$ (1,619)
Net loss per share - basic and diluted (note 6)	\$ (0.02)	\$ (0.08)

See accompanying notes to the Consolidated Financial Statement.

RDM CORPORATION
Statement of Changes in Shareholder's Equity
(Amounts in Canadian Dollars, In Thousands)

	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance as at September 30, 2008	\$ 28,338	\$ 1,162	\$ (641)	\$ 28,859
Net loss and comprehensive loss	-	-	(1,619)	(1,619)
Repurchase of share capital	(160)	-	-	(160)
Stock-based compensation	-	144	-	144
Balance as at December 31, 2008	\$ 28,178	\$ 1,306	\$ (2,260)	\$ 27,224
Balance as at September 30, 2009	\$ 27,639	\$ 1,886	\$ (2,664)	\$ 26,861
Net loss and comprehensive loss	-	-	(489)	(489)
Repurchase of share capital (note 5)	(28)	-	-	(28)
Stock-based compensation	-	75	-	75
Balance as at December 31, 2009	\$ 27,611	\$ 1,961	\$ (3,153)	\$ 26,419

See accompanying notes to the Consolidated Financial Statement.

RDM CORPORATION
Consolidated Statements of Cash Flows
(Amounts in Canadian Dollars, In Thousands)

Three months ended December 31	2009 (unaudited)	2008 (unaudited)
Cash provided by (used in):		
Operations:		
Net Loss	\$ (489)	\$ (1,619)
Items not involving cash:		
Amortization of furniture and equipment	279	212
Amortization of intangible assets	8	12
Stock based compensation	75	144
Future income taxes (recovery)	-	(74)
Change in non-cash operating working capital	685	1,641
Cash provided by operations	558	316
Investing:		
Repurchase of share capital	(28)	(160)
Purchase of furniture and equipment	(57)	(274)
Additions to intangible assets	(40)	(39)
Cash used in investing activities	(125)	(473)
Increase (decrease) in cash and cash equivalents	433	(157)
Cash and cash equivalents, beginning of year	15,718	17,421
Cash and cash equivalents, end of period	\$ 16,151	\$ 17,264

See accompanying notes to the Consolidated Financial Statement.

RDM CORPORATION
Notes to Consolidated Financial Statements
(Amounts in Canadian Dollars, In Thousands, Except Share and Per Share Amounts)

DESCRIPTION OF BUSINESS

RDM Corporation (the "Company") was incorporated on January 23, 1987 under the Canada Business Corporations Act and is listed under the symbol "RC" on the Toronto Stock Exchange.

RDM is a provider of solutions for the electronic commerce and payment processing industries. RDM provides Remote Check Deposit systems and web-based image management and transaction processing services for retailers, banks, small businesses, independent sales organizations, payment processors and government agencies, as well as print quality control and image quality systems for a variety of global customers.

1. Basis of Preparation

These interim consolidated financial statements have been prepared by the Management of RDM Corporation and have not been audited or reviewed by the Company's external auditors.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. The accounting policies used in the preparation of these interim consolidated financial statements conforms to those used in the Company's annual consolidated financial statements. These financial statements do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements and have not been audited or reviewed by the Company's external auditors. These interim consolidated financial statements and notes thereto should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2009.

3. Change in accounting policies and impact of new accounting pronouncements

The CICA's Accounting Standards Board has also announced that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, effective for interim and annual periods in fiscal years beginning on or after January 1, 2011. IFRS will require increased financial statement disclosures. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company has completed its preliminary assessment of the impact that the adoption of IFRS will have on its financial position, financial statement disclosure requirements, accounting processes and internal controls over financial reporting and is currently evaluating these areas in relation to the available accounting policy choices under IFRS.

4. Foreign exchange management

The Company generates the majority of its revenues in U.S. dollars, which exceeds the natural hedge provided by purchases of goods and services in U.S. dollars. In order to manage a portion of this net foreign currency exposure, the Company has entered into U.S. dollar forward contracts. These economic hedge contracts are marked to market through earnings and are included in foreign exchange gain/loss in our Consolidated Statements of Operations. The timing and amount of foreign exchange contracts are estimated based on existing or anticipated sales, current conditions in the Company's markets, and the Company's past experience. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes.

At December 31, 2009, the Company has outstanding U.S. dollar forward contracts totaling U.S. \$11,475 (2008 – U.S. \$14,250), maturing on or before December 31, 2010 at rates ranging from CDN \$1.28 – CDN \$1.04 to U.S. \$1.00 (2008 CDN \$1.25 – CDN \$1.00 to U.S. \$1.00). The fair value of the U.S. dollar forward contracts outstanding was an asset included in "other assets" totaling CDN \$964 (2008 – asset included in 'other assets' totaling CDN \$1,626).

RDM CORPORATION
Notes to Consolidated Financial Statements
(Amounts in Canadian Dollars, In Thousands, Except Share and Per Share Amounts)

5. Share Capital

<u>Outstanding Share Capital</u>	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2009</u>
Common shares	20,772,626	20,801,726
Common share Options outstanding	1,795,000	1,795,000

During the three months ended December 31, 2009, no options were granted and no common shares were issued. In addition, 29,100 shares were repurchased and cancelled for \$28,352, including commissions as part of a Normal Course Issuer Bid.

6. Earnings per share information

	<u>Three Months Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
Weighted average common shares outstanding during the period	20,787,176	21,185,226
<u>Earnings per share – diluted</u>	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>

7. Segmented information

The Company evaluates its performance based on four operating segments: Digital Imaging, Payment Processing Services, Electronic Payments Solutions, and Quality Assurance. The accounting policies for the segments are the same as those described in Note 1 to the Company's September 30, 2009 consolidated financial statements.

Operating Results by Segment					
Three Months Ended December 31, 2009					
	Payment Processing Services	Digital Imaging Products	Electronic Payments Solutions	Quality Assurance	Total
Segment revenue	\$ 2,354	\$ 3,009	\$ 88	\$ 251	\$ 5,702
Gross Profit	940	1,130	18	168	2,256
Segment operating earnings (loss)	(405)	384	15	11	5
Finance and corporate income (expenses)					(494)
Income tax expense					-
<u>Net earnings (loss)</u>					<u>\$ (489)</u>

RDM CORPORATION
Notes to Consolidated Financial Statements
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Operating Results by Segment										
Three Months Ended December 31, 2008										
		Payment Processing Services		Digital Imaging Products		Electronic Payments Solutions		Quality Assurance		Total
Segment revenue	\$	2,244	\$	3,852	\$	480	\$	511	\$	7,087
Gross Profit		911		1,485		161		391		2,948
Segment operating earnings (loss)		(651)		741		148		220		458
Finance and corporate income (expenses)										(2,077)
Income tax expense										-
Net earnings (loss)									\$	(1,619)