

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

The following discussion and analysis, prepared as of November 25, 2008, provides information Management believes is relevant to an assessment and understanding of RDM Corporation's ("RDM" or the "Company") consolidated results of operations and financial condition. The discussion should be read in conjunction with the audited consolidated financial statements of RDM Corporation and notes thereto for the fiscal years ended September 30, 2008 and September 30, 2007 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts used in this discussion and analysis are expressed in Canadian dollars, unless otherwise noted.

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. 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 Xign. The term segment operating earnings does not have any standardized meaning prescribed within 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 15 to the Consolidated Financial Statements reconciles segment operating earnings to net earnings (loss) for the years ending September 30, 2008 and September 30, 2007. Segment operating earnings 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, 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.

OBJECTIVES AND STRATEGIES

The Company's long-term objective is to build a high-growth, profitable business based on recurring revenues from Payment Processing Services through its Image & Transaction Management System ("ITMS") and Digital Imaging hardware product sales.

Progress towards the Company's long-term objective is measured in terms of growth in Digital Imaging Product revenues and progress towards building a sustainable transaction processing business based on recurring ITMS transaction processing revenues which is included in the Payment Processing Service segment. Similar to fiscal 2008, the Company intends to remain primarily focused on growing its revenues in 2009 through:

- Increasing recurring ITMS transaction processing revenues through an innovative and robust service offering and strategic partnerships with large and medium U.S.-based financial institutions, Value Added Resellers ("VAR's") and through independent sales organizations ("ISO's"). In 2008, the Company's ITMS service was enhanced to enable the Company to provide services directly to merchants. ISO's market RDM's ITMS service directly to merchants;
- Increasing document scanner sales and related product offerings from the Company's peripheral document scanners (EC6000i® & EC7000i®), all-in-one payment terminal (RDM SYNERGY II) and from the CaptureOne™ batch scanner;
- Sourcing custom electronic payment solutions development projects from the private and public sectors; and
- Identifying any suitable acquisition opportunities that will increase shareholder value.

OVERALL PERFORMANCE AND INDUSTRY TRENDS

The U.S. payments industry and U.S. consumers continue to rely on cheques for a multitude of payments. Management believes the most significant 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 ("IRD's") 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 IRD's, 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 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.

Most banks have yet to launch comprehensive sales and marketing campaigns designed to introduce this new service to their customer base. 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 industry 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.

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The Company continues to invest in building a high-growth profitable business based on recurring revenues from Payment Processing Services through its Image & Transaction Management System ("ITMS") and Digital Imaging hardware product sales.

Although the full impact of RDC on the Company remains to be seen, fiscal 2008 was clearly a strategic year for the Company's transaction processing business.

Highlights include:

- ITMS transaction volume increased significantly and by year end average weekly volume was 3.3 million items, compared to 2 million items at RDM's 2007 year end;
- Seven new bank distributors were signed during the year, bringing the total to 32 banks;
- ITMS® end user locations increased from 8,400 to 14,900 during the year;
- Simply Deposit™, a web-based RDC product that was designed specifically for the small business market was released; and
- RDM entered into distribution agreements with 24 ISO's who are marketing RDC directly to end user merchants.

However, the Company's fiscal 2008 performance decreased from 2007 and the Company's consolidated earnings were below the fiscal 2008 operating plan prepared by Management and approved by the Company's Board of Directors. Consolidated revenues of \$26.6 million decreased 22% from 2007 primarily due to lower scanner revenue and a weakening in the U.S. dollar. A large portion of the reduction in scanner revenue was due to a large order backlog from 2006 that was fulfilled in the first quarter of 2007. As a result, gross profit decreased \$3.5 million to \$9.6 million and dropped as a percentage of revenues to 36.2% compared to 38.7% in the prior year due to the impact of the change in exchange rates and lower volume. The loss before taxes and the gain on Xign for fiscal 2008 was \$1,601,000 compared to earnings before taxes and the gain on Xign of \$4,219,000 in fiscal 2007, due to the lower scanner sales in 2008 and the impact of foreign exchange due to the weak U.S. dollar. The loss before taxes for fiscal 2008 was \$1,042,000 compared to earnings before taxes of \$6,926,000 in fiscal 2007. The Company successfully completed the sales transaction for its interest in Xign and realized a gain of CDN \$2,707,000 in 2007. The remaining proceeds totaling U.S. \$1,062,000 were received in 2008 resulting in an additional gain of CDN \$559,000. Although the U.S. dollar was weaker in 2008, the U.S. dollar strengthened in the fourth quarter. The Company utilizes foreign exchange contracts which are marked to market through earnings. While an increase in the U.S. dollar is better for the long term financial results, such an increase will result in recognition of unrealized losses on the foreign exchange contracts when the rates change. The Company recorded an exchange loss of \$552,000 in 2008. This was primarily due to an unrealized loss on the U.S. dollar forward contracts totaling \$486,000. The net loss for the year was \$1,042,000 compared to net earnings of \$5,757,000 in fiscal 2007. The Company ended fiscal 2008 with \$17.4 million in cash and cash equivalents (unchanged from year-end of fiscal 2007) and \$25.9 million in net working capital.

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SELECTED ANNUAL INFORMATION

(In Thousands of Canadian Dollars, Except per Share Amounts)

	2008	2007	2006	2005
Revenue	\$ 26,622	\$ 33,922	\$ 24,340	\$ 19,451
Earnings (loss) before taxes and gain on Xign	(1,601)	4,219	1,272	757
Gain on Xign	559	2,707	-	-
Earnings (loss) before income taxes	(1,042)	6,926	1,272	757
Net earnings (loss)	(1,042)	5,757	2,056	757
Earnings per share - basic	(0.05)	0.27	0.10	0.04
- diluted	(0.05)	0.26	0.10	0.04
Total assets	\$ 34,636	\$ 34,546	\$ 25,877	\$ 21,684

SEGMENT PERFORMANCE

Digital Imaging Products

The primary objectives of the Company's Digital Imaging Products segment in fiscal 2008 were i) Increasing Digital Imaging product revenues adjusted for the impact of the backlog in the first quarter of 2007 and ii) Launching the resale of batch scanners. Digital Imaging revenue was \$16.1 million, a decrease of 36% compared to 2007. The Company's objective in fiscal 2009 is to increase product sales.

Shipments of proprietary scanners for 2008 were disappointing at 39,622 units versus 54,696 units in 2007 although the majority of the decrease was caused by a backlog situation in the first quarter of 2007. The revenues from sales of batch scanners were delayed due to the certification process for such scanners taking longer than anticipated. This process is required to confirm that the batch scanner software is compatible with software of other equipment used in the data capture and transmission process. The year also included non-recurring licensing revenue totaling \$640,000.

Segment operating earnings for the Digital Imaging Product segment decreased by \$4.4 million to \$2.0 million. The main reason was a 36% decrease in the revenue as driven by lower volumes as well as the unfavorable impact of foreign exchange. Scanner sales are often placed in large orders and the timing of those orders can be important. The segment did not achieve its budget for the fiscal year.

Payment Processing Services

The primary objectives of the Company's Payment Processing Services segment in fiscal 2008 were i) Increasing ITMS transaction processing revenues, ii) Launching Simply Deposit™, iii) Continuing to sign new banks and support existing banks with rollouts to their customers and (iv) Expanding the distribution channel by selling through ISO's.

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Revenue was \$6.0 million, an increase of 75% compared to 2007. The highlights for 2008 include:

- Transaction volumes for ITMS averaged 3.12 million items per week during the fourth quarter of fiscal 2008, compared to 1.76 million items per week a year earlier, and 2.75 million items per week during Q3 2008;
- ITMS™ end user locations increased from 8,400 at the end of 2007 to 14,900 at the end of 2008;
- RDM added 19 new independent sales organizations during the fourth quarter, reaching a total of 24 signed ISO's at year-end;
- Seven new financial institutions were added as distributors;
- Simply Deposit™, a web-based RDC product that was designed specifically for the small business market, was released.

In June the Company announced that a major U.S. bank, ranked in the top 50 based on total assets, had committed to ordering a significant volume of RDM's remote deposit capture products. The bank has launched remote deposit capture specifically targeted to its small business customers. In order to meet expected demand, the bank has entered into a contract to license more than 5,000 ITMS end user locations and to purchase more than 5,000 scanners from RDM over the next 18 months. At September 30, 2008 this rollout had only just commenced. Increasing adoption of remote deposit capture is fueling demand for ITMS.

The segment recorded an improvement in gross profit of \$1.2 million to \$1.8 million. The operating loss for the segment increased \$0.2 million to \$2.8 million due to the higher sales and marketing investment to sign new ITMS banks and ISO resellers as well as the launch of Simply Deposit™.

The Company believes that the changeover to electronic cheque processing enabled by Check 21 continues to gain momentum. The Company has been successful in gaining a foothold in the market by signing up a significant number of financial institution customers and ISO resellers as distribution partners. The next step is to continue to increase ITMS volumes as financial institutions roll out their service offerings to their corporate clients and through direct enrollment of end-user merchants. Bank product sales cycles can be lengthy, and in the interim the Company continues to explore broaden distribution channels. The Company has also begun targeting end users directly through other Value Added Resellers (VAR's) and ISO's to help create pull in the marketplace and encourage the banks to expedite their rollouts by increasing bank customers' demand.

The segment was successful in meeting its objectives although it was slightly below the plan approved by the Board of Directors.

Electronic Payments Solutions

The primary objectives of the Company's Electronic Payments Solutions division in fiscal 2008 were i) Continuing to work with U.S. government agencies to improve the U.S. payments system and ii) Broadening the scope of the division to include more custom development work for private sector U.S. financial institutions. Both objectives were achieved, as fiscal 2008 was a strong year compared to internal plans for the division. Although revenues decreased from \$3.2 million in fiscal 2007 to \$2.8 million in fiscal 2008, the segment's operating earnings decreased only \$0.1 million to \$1.3 million. The division achieved its budget. The majority of Electronic

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Payments Solutions revenues were still generated from government organizations in fiscal 2008. In fiscal 2008 22% of the division's revenues were generated from large private sector U.S. financial institutions.

The Company has chosen to reflect custom development revenue from financial institution customers that sign on for ITMS services in the Electronic Payment Solutions segment results while Payment Processing Services continues to bear the majority of the Company's research and development expenditures.

Quality Assurance

The primary objectives of the Company's Quality Assurance division in fiscal 2008 were i) Generating revenues of almost \$2 million while maintaining strong gross profits and ii) Investing in new product development to broaden the scope of the division's product offerings. The Company was again successful in maintaining gross profits although revenues of \$1.7 million were lower than the budget.

Operating Expenses and Consolidated Operating Results

Sales & marketing expenses increased \$676,000 or 16% to \$4.9 million due to sales activities related to signing new ITMS banks and ISO resellers, preparing for the launch of a batch scanner and the launch of Simply Deposit™. Research & development expenses before federal and provincial investment tax credits increased by \$103,000, as the Company continued to invest in Digital Imaging new product development, primarily EC7000 and RDM Synergy, a Web-based release of the Company's Image & Transaction Management System and Simply Deposit™. Federal and provincial investment tax credits were lower than 2007 by \$651,000 which caused net research and development expenses to increase in 2008. General and administration expenses decreased by 7%. Interest Income increased \$146,000 and foreign exchange was a loss of \$552,000 due primarily to a loss on the forward contracts.

The Company's loss before income taxes for the year ended September 30, 2008 was \$1,042,000 compared to earnings before income taxes of \$6,926,000 in the year ended September 30, 2007. The Company's net earnings for the year ended September 30, 2008 was a loss of \$1,042,000 compared to income of \$5,757,000 in the year ended September 30, 2007.

Royalty Arrangements

During fiscal 2003, a number of companies in the financial services industry, including RDM and other major U.S. banks and technology providers, were subject to patent infringement lawsuits from Data Treasury Corporation ("DTC"). DTC claimed to have patent rights to the broad concept of electronically archiving paper-based information. While the Company and the industry clearly view the claims to be without merit, the Company nevertheless found itself having to defend itself in the expensive and time-consuming U.S. court system. Although the Company questions the validity of the patents, to avoid the significant legal fees associated with the U.S. patent litigation process, the Company agreed to pay DTC a 3.25% royalty on digital imaging scanner sales and a 50% royalty on digital imaging archiving revenues when the end user has not signed a license with DTC. Both royalties are subject to certain stipulated maximums that significantly reduce these royalty rates. In exchange for these royalties, on June 3, 2003, DTC filed a Stipulation of Dismissal dismissing its

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patent infringement claims against the Company. The agreement with DTC is cancelable at the option of the Company upon the earlier of i) DTC's patents judged invalid or unenforceable in similar lawsuits by DTC against other financial service industry defendants; or ii) upon 90 days written notice by the Company. Royalty expense in 2008 totaled \$1,114,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations primarily through the sale of capital stock and operating cash flow. For the year ended September 30, 2008, cash provided by operations was \$608,000 compared with \$2,382,000 in the year ended September 30, 2007.

Pursuant to the Normal Course Issuer Bid, RDM may purchase up to 1,074,391 of its common shares, representing approximately 5 per cent of the issued and outstanding common shares. The purchases commenced on June 9, 2008 and will terminate on May 12, 2009, or on such earlier date that RDM completes its permitted purchases pursuant to the Bid notice or provides notice of termination of the Bid. The Company purchased 207,400 common shares under the Bid in fiscal 2008.

The remaining proceeds from the Xign disposal in 2007 totaling U.S. \$1,062,000 were received in fiscal 2008.

At September 30, 2008 the Company held cash and cash equivalents of \$17.4 million, unchanged from September 30, 2007. 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 invested in short term low risk investments in Canadian banks. The Company does not hold any asset backed commercial paper. At September 30, 2008 the Company had net working capital of \$25.9 million as compared to net working capital of \$27.3 million at September 30, 2007.

The Company intends to continue to review its level of operating costs, and continue to drive operations with 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 September 30, 2008 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.

SHARE DATA

At November 24, 2008 the Company had 21,174,026 common shares outstanding. In addition, as of November 24, 2008, the Company had 1,740,000 stock options outstanding, each of which is exercisable into one common share.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company does not enter into off-balance sheet arrangements, other than purchase commitments for inventory and furniture and equipment and operating leases for certain ITMS and office equipment, and facility leases. Future minimum lease commitments by year and in aggregate are as follows:

(In Thousands of Canadian Dollars)

2009	\$1,235
2010	1,100
2011	962
2012	465
2013	16
Thereafter	-
	<u>\$3,778</u>

Outstanding purchase commitments have been reduced to \$127,000 to continue to reduce inventory levels.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company utilizes U.S. dollar forward contracts to manage a portion of its foreign exchange exposure, typically for up to twelve months out. The use of derivative financial instruments is limited to risk management activities and is subject to Management and Board controls and approvals. At September 30, 2008, the Company has outstanding U.S. dollar forward contracts totaling U.S. \$12.750 million (2007 - U.S. \$7.2 million), maturing on or before September 30, 2009 at rates ranging from CDN \$1.06 - CDN \$1.00 to U.S. \$1.00 (2007 CDN \$1.16 - CDN \$1.06 to U.S. \$1.00). The fair value of the U.S. dollar forward contracts outstanding at September 30, 2008 was a liability included in accounts payable and accrued liabilities totaling \$486,000. These economic hedge contracts are marked to market through earnings and are included in foreign exchange gain/loss in the Company's Consolidated Statement of Operations. Exchange rates have been volatile since year end. As a result of the improvement in the rates, the Company purchased, subsequent to year end, additional U.S. dollar forward contracts to cover a higher proportion of the first and second quarter U.S. dollar exposure. Subsequent to the year end, the Company entered into additional U.S. dollar forward contracts totaling U.S. \$5.2 million maturing on or before November 13, 2009 at rates ranging from CDN \$1.25 - CDN \$1.10 to U.S. \$1.00.

While an increase in the U.S. dollar is better for the long term financial results, in the short-term, such an increase will result in recognition of unrealized losses on the foreign exchange contracts when the rates change.

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 Chartered Banks.

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

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. At September 30, 2008 the Company estimates it is a weighted average 63% complete on custom development contracts in progress based on development labour incurred to date, which accounts for approximately \$0.4 million in fiscal 2008 Electronic Payments Solutions revenues. 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.

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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 relates 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 accounts 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 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.

CHANGES IN ACCOUNTING POLICIES AND IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2007, the Company chose to early adopt CICA Handbook Section 3031, "Inventories". The adoption of the new standard did not have a material impact on the Company's retained earnings as at October 1, 2007.

In addition, effective October 1, 2007, the Company adopted the new CICA handbook Sections 3862 "Financial Instruments - Disclosure", 3863 "Financial instruments - Presentation" and 1535 "Capital Disclosures". These new standards require increased disclosure of financial instruments with particular emphasis on the

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risks associated with recognized and unrecognized financial instruments and how those risks are managed and information about an entity's capital and its objectives. For further information, refer to note 13 and note 17 to the Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of this new standard.

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 is currently in the stage of planning its approach for evaluating and assessing the impact the adoption of IFRS will have on its financial position, financial statement disclosure requirements, accounting processes and internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Company Management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in its various reports are recorded, processed, summarized and reported accurately. As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of the Company reviewed and evaluated the Company's disclosure controls and procedures (as that term is defined in Multilateral Instrument 52-109) and, based upon that review and evaluation, concluded that those disclosure controls and procedures were effective and met the requirements thereof. Nevertheless, management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

The Company has designed and maintains a set of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in the Company's internal controls over financial reporting during the year ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The Company operates in a highly competitive technological market and faces a number of risks and uncertainties associated with its operations:

Currency Risk: Substantially all the Company's revenues are in, and are anticipated to be in the future, in U.S. dollars. Fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar and other currencies may have a material adverse effect on the Company's results from operations. The Company closely monitors the exchange rate between the U.S. and Canadian dollars, however, the Company's current strategy envisions purchasing U.S. dollar forward contracts for a portion of projected fiscal 2009 revenues and there can be no assurance that future exchange rate fluctuations in 2009 or beyond will be favorable to the Company. Management believes that each one-cent increase in the value of the Canadian dollar, relative to the U.S. dollar, negatively impacts the Company's revenues and profitability by approximately \$265,000 and \$140,000, respectively, based on 2008 revenues. The Company has hedged a portion of expected fiscal 2009 U.S. dollar exposure. Management's strategy is to i) Source raw material costs as well as sales and marketing expenses in U.S. dollars, when possible, ii) Purchase U.S. dollar forward contracts, and iii) Reduce the cost of scanners.

Management of Growth: The Company has in the past experienced significant growth in its business, including an expansion in the Company's staff and customer base, the establishment of new distribution channels and the expansion of its product lines. Such growth placed, and may continue to place, a significant strain on the Company's management and operations. The Company's ability to manage growth effectively in the future will require it to further develop and improve its operational, financial and other internal systems, and to hire, train and manage employees. If the Company is unable to manage its growth effectively, the Company's business, results of operations, liquidity and financial condition could be materially and adversely affected.

Risks Inherent in Transaction Processing: There can be no certainty that the Company will be successful in gaining and maintaining a leadership position in transaction processing as Check 21 gains prominence or that the Company's ITMS will garner sufficient transaction volume to become a profitable business. U.S. financial institutions could also decide to bring transaction processing in-house. The Company is party to agreements with its customers that, among other things, obligate the Company to accurately process transaction data within prescribed processing windows. Should the Company breach its service level agreements with its customers, penalties ranging from service credits to outright contract termination may result. Furthermore, the Company is obligated to maintain confidentiality of customer information and maintain adequate backup and recovery systems. Although the Company has designed operational processes and controls to meet these obligations, there can be no certainty that the Company can meet its obligations 100% of the time and the Company could be subject to fines, penalties, and legal defense costs, should the Company's transaction processing capabilities or operations be compromised. Furthermore, given that the majority of the Company's revenues are from U.S.-based financial institutions, there can be no assurance that changes in U.S. legislation or government policy will not render the Company at a competitive disadvantage in the future.

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Risk Inherent in Transaction Processing for Non-financial Institution

Customers: The RDC services that RDM will provide through the non-financial institution channel will use the same ITMS infrastructure and systems that support our ITMS services provided through banks. RDM will be responsible for the clearing of the cheques through the payment system and consequently will be responsible for any associated merchant credit risk. RDM has hired a Credit Manager and has established policies and detailed procedures aimed at reducing such risk. RDM will receive a higher transaction fee for items processed where it is exposed to merchant credit risk. This is in addition to the risks outlined in the Risks Inherent in Transaction Processing. Merchant credit risk exposures include the risk of fraud by merchants in submitting cheques for processing. Fraud perpetrated by such merchants could have material adverse effect on RDM's business and operating results.

Major customers: Three major customers for the year ended September 30, 2008 account for 31% of revenue for the year. One customer was reported in each of the following segments: Payment Processing Services, Digital imaging Products and Electronic Payments Solutions. The loss of one of these customers could have a material adverse effect on the Company's business and results of operations.

Impact of Competition and Market Acceptance: Many of RDM's competitors and potential competitors have significantly greater financial, technical, marketing, and other resources and greater name recognition. This competition could have a material adverse effect on RDM's business, results of operations and financial condition in the future. As investor protection, corporate governance, privacy, and other forms of regulations increase, there can be no certainty that the Company will continue to have or have access to increased financial resources that may be necessary to continue to meet these regulations. The Company's future success is also dependent on the continued acceptance of the Company's document scanners and ITMS, which in turn are dependent on Electronic Check Conversion gaining widespread acceptance in the U.S. and Check 21 resulting in an industry shift towards distributed image capture and transaction processing systems.

Changes in Payment Technologies: RDM's business model is currently focused on cheque processing. Consumers have an increasing number of payment methods which they may utilize including credit and debit cards as well as newer technologies such as stored value cards and gift cards. Changes by consumers in their payment mechanisms could substantially reduce the number of cheques which require processing. While the adoption of RDC to process cheques is still in its infancy, a reduction in the utilization of cheques could reduce RDM's addressable market and ultimately have a material adverse effect on the Company's business and operations.

Proprietary Technology: RDM has relied, and expects to continue to rely, on a combination of copyright, trademark and trade secret laws, confidentiality procedures, and contractual provisions to establish, patent, maintain, and protect the Company's proprietary rights. Unauthorized parties have, and may continue to attempt to copy aspects of RDM's products or to obtain information regarded as proprietary. With increased competition comes other companies' attempting to emulate RDM's technologies and products. Policing unauthorized use of the Company's technology is difficult, time-consuming, and costly. Furthermore, the U.S. patent system is fraught with numerous patent litigants claiming ownership to patents on broad systems, concepts, and processes. The Company cannot be certain it is not infringing on the patents or intellectual property rights of others or that the

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Company will not be the target of unfounded, yet expensive, patent infringement lawsuits.

Product Development: The Company currently has a limited number of product offerings. RDM has experienced product development delays in the past and may experience delays in the future. If RDM experiences significant new product development delays, its position in the market could be harmed, and revenue could be substantially reduced, which could adversely affect operating results. Delays may occur for many reasons, including an inability to hire and manage experienced developers, discovery of bugs and errors in software, or the inability of current or future products to conform to industry or quality requirements.

Reliance on Third Party Relationships: The Company has a number of third party relationships that are significant to its marketing, sales and related support activities and product development efforts. The Company relies upon relational database management systems applications, and development tool vendors, software and hardware vendors to strengthen its product offerings through integration with industry-standard tools and utilities. The Company's intent in entering into these relationships is to keep pace with the technological and marketing developments of major software vendors, to acquire technical assistance for the Company's product development efforts and to leverage the Company's sales and marketing capabilities. There can be no assurance that these companies, many of which have significantly greater financial and marketing resources than the Company, will not develop or market software products that compete with the Company's products in the future or will not otherwise discontinue their relationship with or support the Company. The failure of the Company to maintain its existing relationships, or to establish new relationships in the future, for any reason, could have a material adverse effect on the Company's business, results of operations, liquidity and financial condition.

Manufacturing and Production: The Company's manufacturing operations are dependent on the Company sourcing high quality electronic and mechanical components from reliable and timely suppliers. In some cases the Company is reliant on sole-source suppliers and can be impacted by industry-wide component allocation issues that can impact the continuity of manufacturing operations. There can be no assurance that the Company will not be affected by component shortages, which could impact the Company's ability to fulfill customer orders on a timely basis.

Executive Officers and Key Employees: RDM's future success is dependant on the abilities of its executive officers and key employees. Although RDM has employment and non-competition agreements with certain of its executive officers, if RDM were to lose the services of one or more of its executive officers, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with RDM, the Company's operating results could be affected.

Potential Fluctuations in Quarterly Results: The Company's quarterly operating results fluctuate depending on the timing and size of orders, the number, timing and significance of new product announcements by the Company and its competitors, the ability of the Company to develop, introduce and market new and enhanced versions of the Company's products and services on a timely basis, the level of product and price competition, and general economic factors such as exchange rates. Quarterly results in the future may be influenced by these or other factors, including possible delays in the development and shipment of new products.

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General: RDM faces the risks normally associated with emerging technology companies. While the market for RDM's Quality Assurance products has historically provided a stable source of revenue for the Company, the market for RDM's Digital Imaging products, Payment Processing Services and Electronic Payments Solutions business is characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. In fiscal 2008, the Company generated the majority of its earnings and operating cash flow from the Quality Assurance, Electronic Payments Solutions and the scanner products in the Digital Imaging segment and the results of those segments allowed the Company to fund its investment in growing the Digital Imaging ITMS business. In fiscal 2007 and 2008, all Electronic Payments Solutions segment revenues were derived from a small number of U.S.-based customers. There can be no assurance that these segments will continue to generate results in the future at fiscal 2008 levels. Furthermore, the Company's Digital Imaging segment operates in an industry with significant existing and new competitors, and Management expects competition will continue to increase as more companies compete for Check 21 opportunities.

OUTLOOK

During fiscal 2008 we continued to expand our marquee customer list of top tier U.S. financial institutions as ITMS customers. Fiscal 2009 will be a year of assisting these customers in rolling out ITMS to their own deposit customers. We will also continue to broaden distribution channels by signing up new ISO's and rolling out ITMS to their merchants.

In June we announced that a major U.S. bank is planning a major launch of its own remote deposit capture offering specifically targeted to its small business customers. At September 30, 2008 this rollout had only just commenced. In fiscal 2008 Simply Deposit™ was launched and is targeted at the small business market. The small business market represents a large potential opportunity for RDC services. Small businesses will not be required to change their bank depository relationship to use Simply Deposit™. The product can be sold by both our bank customers as well as ISO's. This is a new product for ISO's to sell to their established merchant clients to whom they provide other services.

Remote Deposit Capture adoption is growing steadily and is now entering the mainstream. Most banks have yet to launch comprehensive sales and marketing campaigns designed to introduce this new service to their customer base. 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 bank's treasury management department. The larger market opportunities for RDC service for small and medium sized business is just starting to be addressed by some banks. Our revenue growth rate will be governed by the overall growth rate in the industry and more particularly by the adoption rate that our financial institutions and ISO's achieve with their customer base. It will also be impacted by the credit issues facing the U.S. banking industry and the economy in general. The level of work performed for U.S. government agencies in the Electronic Payments Solutions segment could decrease. RDM 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.

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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. We expect our development and capital expenditures will be similar to those of 2008.

SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars, except per share amounts)

Year ended September 30	2008 (unaudited)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 7,071	\$ 6,823	\$ 5,237	\$ 7,491
Net earnings (loss)	\$ 1	\$ (269)	\$ (298)	\$ (476)
Earnings per share:				
Basic and diluted	\$ -	\$ (.01)	\$ (.01)	\$ (.02)
Total assets	\$ 35,292	\$ 36,168	\$ 34,400	\$ 34,636

Year ended September 30	2007 (unaudited)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 11,746	\$ 7,882	\$ 6,791	\$ 7,503
Net earnings	\$ 1,294	\$ 587	\$ 3,240	\$ 636
Earnings per share:				
Basic and diluted	\$ 0.06	\$ 0.03	\$ 0.15	\$ 0.03
Total assets	\$ 30,521	\$ 29,699	\$ 31,770	\$ 34,546

RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008

The Company's fourth quarter results included revenues of \$7.5 million, gross margins of 36%, operating expenses of \$1.9 million and a net loss of \$476,000. Fourth quarter earnings were primarily generated by the Company's Electronic Payments Solutions and Digital Imaging Product Segments.

Foreign exchange was a loss of \$399,000 due to an unrealized loss on the forward contracts. This was caused by the strengthening of the U.S. dollar in the fourth quarter of 2008 whereas in 2007 the weakening of the U.S. dollar resulted in an exchange gain of \$215,000.

There were no significant year-end or other adjustments that affected the Company's financial condition, cash flows, or results of operations in 2008.

In 2007, the Company recognized \$666,000 of federal investment tax credits as a reduction to research and development expenses.