



Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended December 31, 2011

RDM CORPORATION
Condensed Consolidated Interim Balance Sheets
(Amounts in thousands of U.S. Dollars)

(Unaudited)

	December 31, 2011	September 30, 2011	October 1, 2010
Assets:			
Current assets:			
Cash and cash equivalents	\$ 15,092	\$ 14,815	\$ 13,798
Accounts receivable	2,871	2,799	3,522
Inventories	3,667	3,455	3,589
Derivative assets	-	-	278
Investment tax credit receivable	573	520	1,354
Prepaid and other assets	634	639	1,395
Total current assets	22,837	22,228	23,936
Investment tax credits	556	602	-
Furniture and equipment	2,290	2,455	3,457
Intangible assets	1,074	1,162	564
Total assets	\$ 26,757	\$ 26,447	\$ 27,957
Liabilities and shareholders' equity:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,443	\$ 2,376	\$ 4,068
Deferred revenue	299	279	360
Derivative liabilities	-	67	-
Total current liabilities	2,742	2,722	4,428
Deferred income tax liability	-	-	195
Shareholders' equity:			
Share capital (note 5)	19,960	19,960	19,371
Contributed surplus	2,174	2,115	2,083
Accumulated other comprehensive income	87	-	-
Retained earnings	1,794	1,650	1,880
Total shareholders' equity	24,015	23,725	23,334
Total liabilities and shareholders' equity	\$ 26,757	\$ 26,447	\$ 27,957

See accompanying notes to the Condensed Consolidated Interim Financial statements.

RDM CORPORATION
Condensed Consolidated Interim Statements of Income
(Amounts in thousands of U.S. Dollars, except per share data)

(Unaudited)

Three months ended December 31	2012	2011
Revenue:		
Payment Processing Services	\$ 2,723	\$ 2,400
Digital Imaging Products	1,783	3,802
	4,506	6,202
Cost of revenue	2,293	4,065
Gross profit	2,213	2,137
Operating expenses:		
Sales and marketing	898	875
Research and development	964	942
General and administration	526	712
	2,388	2,529
Results from operating activities	(175)	(392)
Other items:		
Foreign exchange gain	355	954
Interest	28	32
	383	986
Income before income taxes	208	594
Income tax expense:		
Current	64	-
Future	-	-
	-	-
Income for the period	\$ 144	\$ 594
Income per share – basic and diluted	\$ 0.01	\$ 0.03

See accompanying notes to the Condensed Consolidated Interim Financial statements.

RDM CORPORATION
Condensed Consolidated Interim Statements of Comprehensive Income
(Amounts in thousands of U.S. Dollars)

(Unaudited)

Three months ended December 31	2012	2011
Income for the period	\$ 144	\$ 594
Other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	87	-
Comprehensive income	\$ 231	\$ 594

See accompanying notes to the Condensed Consolidated Interim Financial statements.

RDM CORPORATION
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
(Amounts in thousands of U.S. Dollars)

(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance as at October 1, 2010	\$ 19,371	\$ 2,083	\$ -	\$ 1,880	\$ 23,334
Income and comprehensive income	-	-	-	594	594
Repurchase of share capital (note 5)	(103)	21	-	-	(82)
Issuance of share capital (note 5)	726	(218)	-	-	508
Stock-based compensation	-	32	-	-	32
Balance as at December 31, 2010	\$ 19,994	\$ 1,918	-	\$ 2,474	\$ 24,386
Balance as at September 30, 2011	\$ 19,960	\$ 2,115	-	\$ 1,650	\$ 23,725
Total comprehensive income for the period:					
Income for the period	-	-	-	144	144
Effective portion of changes in fair value of cash flow hedges	-	-	87	-	87
Stock-based compensation	-	59	87	144	231
Balance as at December 31, 2011	\$ 19,960	\$ 2,174	\$ 87	\$ 1,794	\$ 24,015

See accompanying notes to the Condensed Consolidated Interim Financial statements.

RDM CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Amounts in thousands of U.S. Dollars)

(Unaudited)		
Three months ended December 31	2012	2011
Cash provided by (used in):		
Operations:		
Income for the period	\$ 144	\$ 594
Items not involving cash:		
Depreciation of furniture and equipment	186	219
Amortization of intangible assets	88	76
Stock-based compensation	59	32
Interest earned	(25)	(31)
Exchange gains on cash held in foreign currency	(389)	(201)
Change in non-cash operating working capital (note 6)	(252)	(339)
Cash provided by (used in) operations	(189)	350
Interest received	11	33
Net cash provided by (used in) operations	(178)	383
Financing:		
Issuance of share capital	-	508
Repurchase of share capital	-	(83)
Cash provided by financing activities	-	425
Investing:		
Purchase of furniture and equipment	(21)	(82)
Additions to intangible assets	-	(27)
Cash used in investing activities	(21)	(109)
Exchange gains on cash held in foreign currency	476	201
Increase in cash and cash equivalents	277	900
Cash and cash equivalents, beginning of period	14,815	13,798
Cash and cash equivalents, end of period	\$ 15,092	\$ 14,698

See accompanying notes to the Condensed Consolidated Interim Financial statements.

RDM CORPORATION
Notes to Condensed Consolidated Interim Financial Statements
(Amounts in thousands of U.S. Dollars, Except Share and Per Share Amounts)

DESCRIPTION OF BUSINESS

RDM Corporation ("RDM" or the "Company"), a company domiciled in Canada, 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.

The consolidated financial statements of the Company as at and for the year ended September 30, 2011, which were prepared under Canadian generally accepted accounting principles ("GAAP"), are available on SEDAR (www.sedar.ca)

1) BASIS OF PREPARATION

a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These are the Company's first International Financial Reporting Standards ("IFRS") condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The policies set out below have been consistently applied to all the periods presented. The Company has used exemptions available under IFRS 1 as described under transition to IFRS note 7. Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on the Company's equity and comprehensive income for the comparative period and equity at the date of transition are provided in note 7.

The standards and interpretations within IFRS are subject to change and accordingly policies for the annual period that are relevant to these condensed consolidated interim financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending September 30, 2012

The condensed consolidated interim financial statements of the Company were prepared in accordance with Canadian GAAP until September 30, 2011. Canadian GAAP differs in some areas from IFRS standards. In preparing December 31, 2011, condensed consolidated interim financial statements, management has amended certain accounting, recognition and measurement methods and disclosures applied in the previous Canadian GAAP financial statements to comply with IFRS standards. Consequently, the comparative figures have been restated to conform with the presentation adopted under IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP and in consideration of the IFRS transition disclosures included in note 7 to these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on February 8, 2012.

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b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for forward exchange contracts, which are measured at fair value.

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are as follows:

- i) The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of specific customers' historical experience and economic circumstances.
- ii) Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. At December 31, 2011, the Company has assessed that it is not probable that sufficient taxable profit will be available to use deferred income tax assets based on recent operating losses, therefore, there are no balances carried in the condensed consolidated interim statement of financial position for such assets.
- iii) The Company makes estimates related to the useful lives of long-lived assets and the related amortization and depreciation. The Company also periodically assesses the recoverability of long-lived assets. The recoverability analysis requires the Company to make assumptions about future operations. Changes to one or more assumptions would result in a change in the recoverable amount calculated and/or amortization and depreciation expensed.
- iv) The Company makes estimates and utilizes assumptions in determining the fair value for share-based compensation expense.
- v) The valuation of inventory requires estimate of net realizable value to be used. The Company needs to estimate the saleability of the inventory, the price of sales and the costs to sell. Changes in assumptions about these factors could affect the reported value of inventory.
- vi) The Company provides a standard product warranty on goods sold. The warranty provision requires estimates of future service costs, returns and defect rates.
- vii) Revenue recognition on percentage of completion contracts requires estimates to be made about the progress of projects and estimated overall costs. The Company reviews development labour costs incurred against overall project estimates to measure percentage of completion and estimated costs to complete.

2) Significant accounting policies

a) Principles of consolidation:

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries: Research, Development and Manufacturing Corporation, RDM Payment

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Solutions, Inc. and 550100 Ontario Limited. All significant inter-company transactions and balances have been eliminated.

b) Foreign currency translation:

IFRS requires that the functional currency of each entity in the consolidated Company be determined separately in accordance with specific indicators and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As a result of an assessment of the primary indicators, the functional currency of the Company and its subsidiaries is the United States dollar. The condensed consolidated interim financial statements of the Company are prepared and presented using the United States dollar.

Foreign currency transactions denominated in other than United States dollars are translated into the functional currency on the following basis:

- (i) Monetary assets and liabilities are translated at the rates of exchange prevailing at statement of financial position date.
- (ii) Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.
- (iii) Income and expenses for each income statement presented are translated at average exchange rates during the month in which they are recognized.

Exchange differences resulting from the settlement of foreign currency transactions are recognized directly in the condensed consolidated interim statement of comprehensive income in the period in which incurred unless hedge accounting applies.

c) Financial instruments:

- (i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

The Company has the following non-derivative financial assets:

Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, when

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significant, receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities:

The Company has classified accounts payable and accrued liabilities, provisions and deferred revenue as non-derivative financial liabilities. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date that they are originated. Subsequent to initial recognition, when material, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expired.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Hedge accounting:

The Company holds Canadian dollar cash (non-derivative monetary hedge), and on occasion derivative financial instruments, to hedge its foreign exchange risk exposures associated with certain expenses incurred in Canadian dollars. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Cash flow hedges:

When a derivative or non-derivative monetary item is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probably forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative or non-derivative monetary item is recognized in other comprehensive income. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period that the hedged cash flows affects profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in accumulated other comprehensive income in equity remains there until the forecasted transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in accumulated other comprehensive income is

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transferred to the carrying amount of the asset when the asset is recognized. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in profit or loss.

Other non-trading derivatives:

When a derivative financial instrument is not designated in qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(iv) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. When common shares are repurchased and cancelled, share capital is reduced by the assigned value per share with any excess or deficiency recognized in equity.

d) Inventories:

Inventories are measured at the lower of cost, determined on a first in, first out basis and net realizable value. Cost includes expenditure incurred in acquiring inventories and bringing it to its existing location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of overheads attributable to manufacturing, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions for obsolete inventory are based on management's best estimates which consider a variety of factors that may affect the carrying values of inventories. These factors include, but are not limited to, market demand, technology and design changes.

e) Furniture and equipment:

Furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is based on the cost of an asset less its residual value. Depreciation is provided for using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Engineering equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Straight-line	2 years
Manufacturing equipment	Declining balance	20%
Leasehold improvements	Straight-line	3 years
Tools and dies	Straight-line	5 years

When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items of furniture and equipment.

During the development of assets and the related pre-production period, these assets are reported as not in use, with no depreciation until such times the assets are available or ready for use.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, if appropriate.

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During the period, the Company changed its method of amortizing tooling from the declining-balance method to the straight-line method as it more accurately reflects the prospective use of the assets. The effect of this change on depreciation expense, recognized in cost of sales in current and future periods, is as follows:

<i>In thousands of dollars</i>	2012	2013	2014	2015	2016	Later
(Decrease) increase in depreciation expense	\$ (26)	\$ 15	\$ 46	\$ 16	\$ 31	\$ (82)

f) Intangible assets:

Patents are stated at cost less accumulated amortization. Depreciation is based on the estimated useful life of the assets and is calculated at an annual rate of 10% using the straight-line method.

Licenses are stated at cost less accumulated amortization. Licenses are amortized on a straight-line basis over the shorter of their estimated useful lives and the term of the license.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

g) Impairment of long-lived assets:

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or cash-generating units to which the asset relates. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of net selling price (fair value less cost to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Where the recoverable amount of the CGU is less than the carrying amount of the CGU or related assets, an impairment loss is recognized. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of long-lived assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Where intangible assets have been allocated to CGUs, and part of the operation within those units is disposed of, the intangible assets associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGUs retained.

h) Research and development:

Expenditures on research activities are recognized under research and development expenses in the period in which they are incurred. An internally-generated intangible asset arising from product development is capitalized only if all of the following conditions are met: an asset is created that can

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be identified; it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably; the Company intends to, and has sufficient resources to complete development and to use or sell the asset; and the product from which the asset arises meets the IFRS criteria for technical and commercial feasibility. Internally-generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognized, the development expenditure is recognized as an expense in the period in which it is incurred. Capitalized expenses include the costs of material, direct labor, direct overhead and outsourcing costs. To date all research and development costs have been charged to operations as incurred.

i) Revenue recognition:

The Company's revenues are derived from product sales, technology licenses, service and extended warranty, transaction processing fees and custom development contracts. Revenue from product sales, services and extended warranties are included in Digital Imaging Products revenue. Revenue from technology licenses, transaction processing fees and custom development contracts are included in Payment Processing Services revenue.

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 considered probable. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from technology licenses is recognized over the term of the license.

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

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

Custom development contract revenue is recognized using the percentage of completion method based on development labour costs incurred. Revisions in custom development costs and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known. Under the percentage of completion method, costs and estimated earnings on uncompleted contracts in excess of billings are included in accounts receivable.

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.

j) Government assistance:

Government assistance, including income tax credits and government grants, is accounted for as a reduction to the cost of the related asset or expense, when there is reasonable assurance that such assistance will be realized.

k) Earnings per share:

Basic earnings per share are computed by dividing net income by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed similar to basic earnings per share, except that the weighted average shares outstanding are increased to include additional incremental shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises, along with any unamortized stock-based compensation related to

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the stock option, were used to acquire shares of common stock at the average market price during the reporting period.

l) Stock-based compensation:

The Company awards stock options to certain employees and directors, from time to time, on a discretionary basis. Stock options are measured at fair value at the date grant. Fair value is measured by using a Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted. The amount recognized as an expense is adjusted to reflect the number of awards for which the related services and non-market vesting conditions are expected to be met by estimating future forfeiture rates. The fair value of such awards is expensed over the vesting period with corresponding increase in contributed surplus. Upon exercise of stock options, proceeds received, together with amounts previously recognized in contributed surplus, are recorded as an increase to share capital.

m) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for warranties is recognized when the underlying products are sold. A provision for warranty is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

n) Income taxes:

Income tax expense comprises current tax and deferred tax. Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity.

Current income tax is the tax expected to be payable on the taxable profit for the period, using tax rates enacted or substantively enacted by the reporting date.

Deferred income tax is recognized on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. Deferred income tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that there is a change in the assessment of the probability that the related tax benefit will or will not be realized.

o) Segmented reporting:

The Company operates in one reportable segment. The Company's one reportable segment is the provision of solutions for electronic payment processing.

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3) Determination of fair values

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

a) Derivatives:

The fair value of forward foreign exchange contracts is estimated by the difference between the contractual forward price and the current forward price for the residual maturity of the contract taking into account credit risk for both parties.

b) Share-based payment transactions:

The fair value of the employee share options is measured using the Black Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility), the expected life of the instrument, the expected dividends, the risk-free interest rate (based on government bonds), and estimated forfeiture rates. Service and non market performance conditions are not taken into account in determining fair value.

4) Foreign exchange management

Prior to the adoption of IFRS on October 1, 2011, the Company's functional and presentation currency was the Canadian dollar. Upon the adoption of IFRS, the functional and presentation currency was determined to be the U.S. dollar. The Company generates the majority of its revenues in U.S. dollars, which exceeded the natural hedge provided by purchases of goods and services in U.S. dollars. In 2011 and 2010, while the Company reported in Canadian dollars, in order to manage a portion of this net foreign currency exposure, the Company entered into U.S. dollar forward contracts. These economic hedge contracts were marked to market through earnings and are included in foreign exchange gain/loss in the condensed consolidated interim statements of income. The timing and amount of foreign exchange contracts were 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.

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At December 31, 2011, the Company did not have any outstanding U.S. dollar forward contracts. At September 30, 2011 the Company had outstanding U.S. dollar forward contracts totaling U.S. \$2,875 at rates ranging from CDN \$1.07-CDN \$0.99 to U.S. \$1.00. These contracts were settled during the three month period ended December 31, 2011 for a marked to market gain of \$14. At October 1, 2010 the Company had outstanding U.S. dollar forward contracts totaling U.S. \$13,000 at rates ranging from CDN \$1.08-CDN \$1.02 to U.S. \$1.00.

Commencing October 1, 2011, the Company designated \$6 million of its Canadian dollar cash as a hedge against its future payroll expenses incurred in Canadian dollars. At December 31, 2011 the Company had \$4.5 million remaining as a designated hedge. The effective portion of foreign exchange gains and losses on the designated hedge are recognized in other accumulated other comprehensive income and reclassified to profit or loss when the hedged payroll is incurred.

5. Share Capital

	December 31, 2011	September 30, 2011	October 1, 2010
Authorized:			
Unlimited number of voting common shares			
Unlimited number of non-voting preferred shares			
Issued and outstanding:			
21,194,726 common shares			
(October 1, 2010 – 20,740,626)	\$ 19,960	\$ 19,960	\$ 19,371

During the three months ended December 31, 2010, 580,000 options were exercised for common shares for total cash proceeds of \$508 and proceeds of \$218 transferred from contributed surplus. In addition, 125,900 shares were repurchased and cancelled for \$82, including commissions as part of Normal Course Issuer Bids.

6. Change in non-cash working capital

The change in non-cash working capital is composed of the following:

	2012	2011
Accounts receivable	\$ (72)	\$ (1,099)
Inventory	(212)	318
Derivative asset	(67)	-
Investment tax credits	7	(84)
Prepaid and other assets	5	666
Accounts payable and accrued liabilities	67	170
Deferred revenue	20	(9)
Derivative liability	-	(307)
Future income tax liability	-	6
	\$ (252)	\$ (339)

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7. Transition to IFRS

As stated in note 1, these are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the condensed consolidated interim financial statements of the Company for the three months ended December 31, 2011, the comparative information presented in these condensed consolidated interim financial statements for the three months ended December 31, 2010 and the year ended September 30, 2011 and in the preparation of an opening IFRS statement of financial position at the transition date of October 1, 2010. In preparing its opening IFRS statement of financial position, comparative statement of comprehensive income for the three months ended December 31, 2010 and comparative financial information for the year ended September 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. The adjustments on transition to IFRS and related explanatory notes are set out below.

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of financial position as at October 1, 2010 has been reconciled to IFRS as follows:

As at October 1, 2010	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Assets:					
Current assets:					
Cash and cash equivalents	\$ 14,198	\$ (400)		\$ -	\$ 13,798
Accounts receivable	3,624	(102)		-	3,522
Inventories	3,736	(147)		-	3,589
Derivative assets	286	(8)		-	278
Investment tax credit receivable	1,393	(39)		-	1,354
Prepaid and other assets	1,436	(41)		-	1,395
Total current assets	24,673	(737)		-	23,936
Furniture and equipment	3,552	(95)		-	3,457
Intangible assets	592	(28)		-	564
Total assets	\$ 28,817	\$ (860)		\$ -	\$ 27,957
Liabilities and shareholders' equity:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,186	\$ (118)		\$ -	\$ 4,068
Deferred revenue	370	(10)		-	360
Total current liabilities	4,556	(128)		-	4,428
Future income tax liability	201	(6)		-	195
Shareholders' equity:					
Share capital	27,558	(8,187)		-	19,371
Contributed surplus	2,169	(267)	b	181	2,083
Retained earnings (deficit)	(5,667)	7,728	b	(181)	1,880
	24,060	(726)		-	23,334
Total liabilities and shareholders' equity	\$ 28,817	\$ (860)		\$ -	\$ 27,957

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of financial position as at September 30, 2011 has been reconciled to IFRS as follows:

As at September 30, 2011	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Assets:					
Current assets:					
Cash and cash equivalents	\$ 15,529	\$ (714)		\$ -	\$ 14,815
Accounts receivable	2,934	(135)		-	2,799
Inventories	3,437	18		-	3,455
Investment tax credit receivable	545	(25)		-	520
Prepaid and other assets	670	(31)		-	639
Total current assets	23,115	(887)		-	22,228
Investment tax credits	631	(29)		-	602
Furniture and equipment	2,506	(51)		-	2,455
Intangible assets	1,175	(13)		-	1,162
Total assets	\$ 27,427	\$ (980)		-	\$ 26,447
Liabilities and shareholders' equity:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,491	\$ (115)		\$ -	\$ 2,376
Deferred revenue	292	(13)		-	279
Derivative liabilities	70	(3)		-	67
Total current liabilities	2,853	(131)		-	2,722
Shareholders' equity:					
Share capital	28,155	(8,195)		-	19,960
Contributed surplus	2,224	(266)	b	157	2,115
Retained earnings (deficit)	(5,805)	7,612	b	(157)	1,650
Total shareholders' equity	24,574	(849)		-	23,725
Total liabilities and shareholders' equity	\$ 27,427	\$ (980)		\$ -	\$ 26,447

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

As at December 31, 2010	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Assets:					
Current assets:					
Cash and cash equivalents	\$ 14,619	\$ 79		\$ -	\$ 14,698
Accounts receivable	4,596	25		-	4,621
Inventories	3,341	(70)		-	3,271
Investment tax credit receivable	1,430	8		-	1,438
Prepaid and other assets	1,307	7		-	1,314
Total current assets	25,293	49		-	25,342
Furniture and equipment	3,396	(76)		-	3,320
Intangible assets	542	(27)		-	515
Total assets	\$ 29,231	\$ (54)		-	29,177
Liabilities and shareholders' equity:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,215	\$ 23		\$ -	\$ 4,238
Deferred revenue	349	2		-	351
Total current liabilities	4,564	25		-	4,589
Future income tax liability	201	1		-	202
Shareholders' equity:					
Share capital	28,189	(8,195)		-	19,994
Contributed surplus	2,029	(263)	b	152	1,918
Retained earnings (deficit)	(5,752)	8,378	b	(152)	2,474
Total shareholders' equity	24,466	(80)		-	24,386
Total liabilities and shareholders' equity	\$ 29,231	\$ (54)		\$ -	\$ 29,177

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of operations for the three months ended December 31, 2010 has been reconciled to IFRS as follows:

Three months ended December 31, 2010	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Revenue					
Payment Processing Services	\$ 2,432	\$ (32)		-	\$ 2,400
Digital Imaging Products	3,852	(50)		-	3,802
	6,284	(82)		-	6,202
Cost of revenue	4,066	(14)	c	13	4,065
Gross profit	2,218	(68)		13	2,137
Operating expenses (income):					
Sales and marketing	874	(11)	b,c	12	875
Research and development	932	(12)	b,c	22	942
General and administration	695	(9)	b,c	26	712
Amortization	114	(72)	b,c	(42)	-
Stock-based compensation	60	-	b,c	(60)	-
Foreign exchange gain	(340)	(614)		954	-
Interest	(32)	-		32	-
	2,303	(718)		944	2,529
Loss from operating activities	(85)	650		(957)	(392)
Other items:					
Foreign exchange gain	-	-		954	954
Interest income	-	-		32	32
	-	-		986	986
Net income (loss) and comprehensive income (loss)	\$ (85)	\$ 650		\$ 29	\$ 594
Net per share – basic and diluted	\$ 0.00				\$ 0.03

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of operations for the year ended September 30, 2011 has been reconciled to IFRS as follows:

Year ended September 30, 2011	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Revenue					
Payment Processing Services	\$ 10,063	\$ 143		\$ -	\$ 10,206
Digital Imaging Products	11,116	110		-	11,226
	21,179	253		-	21,432
Cost of revenue	12,848	443	c	57	13,348
Gross profit	8,331	(190)		(57)	8,084
Operating expenses (income):					
Sales and marketing	3,207	42	b,c	69	3,318
Research and development	3,332	44	b,c	107	3,483
General and administration	1,634	14	b,c	175	1,823
Amortization	367	(195)	b,c	(172)	-
Stock-based compensation	260	-	b,c	(260)	-
Foreign exchange gain	(599)	15		584	-
Write-down of tools and dies	413	9		-	422
Interest	(113)	(2)		115	-
	8,501	(73)		618	9,046
Results from operating activities	(170)	(117)		(675)	(962)
Other items:					
Foreign exchange gain	-	-		584	584
Interest income	-	-		115	115
	-	-		699	699
Loss before income taxes	(170)	(117)		24	(263)
Income tax expense:					
Current	169	4		-	173
Deferred	(201)	(5)		-	(206)
	(32)	(1)		-	(33)
Net loss and comprehensive loss	\$ (138)	\$ (116)		\$ 24	\$ (230)
Earnings per share—basic and diluted	\$ 0.00				\$ (0.01)

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7. Transition to IFRS (Continued)

The Canadian GAAP statement of cash flows for the period ended December 31, 2010 has been reconciled to IFRS as follows:

Three months ended December 31, 2010	CDN\$ functional currency Canadian GAAP (note 7e)	IFRS transition related to change in functional currency (note 7a)	Notes 7	Other effects of transition to IFRS (note 7)	IFRS
Cash provided by (used in):					
Operations:					
Net income (loss) and comprehensive income (loss)	\$ (85)	\$ 650	b	\$ 29	\$ 594
Items not involving cash:				-	-
Depreciation of furniture and equipment	242	(23)		-	219
Amortization of intangible assets	76	-		-	76
Stock-based compensation	60	-	b	(29)	31
Interest earned	(32)	-		-	(32)
Exchange gains (losses) on cash held in foreign currency	13	(214)		-	(201)
Change in non-cash working capital	(187)	(150)		-	(337)
Cash provided by operations	87	263		-	350
Interest received	33	-		-	33
Net cash provided by operations	120	263		-	383
Financing:					
Issuance of share capital	515	(7)		-	508
Repurchase of share capital	(84)	1		-	(83)
Cash provided by financing activities	431	(6)		-	425
Investing:					
Purchase of furniture and equipment	(90)	8		-	(82)
Additions to intangible assets	(27)	-		-	(27)
Cash used in investing activities	(117)	8		-	(109)
Exchange gains (losses) on cash held in foreign currency	(13)	214		-	201
Increase (decrease) in cash and cash equivalents	421	479		-	900
Cash and cash equivalents, beginning of period	14,198	(400)		-	13,798
Cash and cash equivalents, end of period	\$ 14,619	79		-	\$ 14,698

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7. Transition to IFRS (Continued)

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1, the Company has applied the following optional exemptions to its opening statement of financial position dated October 1, 2010.

i) Business combination:

The Company has applied the business combinations exemption in IFRS 1 and has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition to IFRS. It has not restated business combinations that took place prior to the October 1, 2010 transition date. The Company will apply IFRS 3 to business combinations that occur on or after October 1, 2010.

(ii) Share-based payment transaction:

IFRS 1 allows a first time adopter not to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company applied IFRS 2 from October 1, 2010 to those options that were issued after November 7 2002 but that had not vested by October 1, 2010.

(iii) Consolidated and separate financial statements:

Under IFRS 1, the Company is required to adopt IAS 27, Consolidated and Separate Financial Statements, if it elects to apply IFRS 3, Business Combinations, retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

The following describes the reconciliation between Canadian GAAP and IFRS:

a) Functional currency:

IFRS:

Under IFRS, the functional currency of the Company and each of its subsidiaries must be assessed independently, giving consideration to the primary economic environment in which each operates. IFRS provides guidance in respect of factors to be considered in determining an entity's functional currency that are similar to those noted in Canadian GAAP, however, unlike Canadian GAAP, IFRS distinguishes between primary and secondary factors in making such an assessment. Based on the assessment under IFRS, management has determined that the functional currency of the Company, and its subsidiaries, is the United States dollar (USD) (Canadian dollar under Canadian GAAP). Accordingly, the change in functional currency has been reflected in reporting the Company's consolidated financial position and results of operations under IFRS.

Canadian GAAP:

Functional currency is determined based on a list of factors and does not give priority to certain criteria.

Under Canadian GAAP, an entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenue and expenses. Under Canadian

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7. Transition to IFRS (Continued)

GAAP, an entity applies criteria to determine only whether a foreign subsidiary's operations is integrated or self-sustaining, in which case the temporal or current methods of translation respectively, are then applied to the subsidiary's financial statement balances and results of operations. Under Canadian GAAP, the Company prepared its financial statements in Canadian dollars and determined its U.S. subsidiaries to be integrated foreign operations, which were translated using the temporal method.

As a result of the change in functional currency, the Company translated its Canadian dollar non-monetary assets, non-monetary liabilities and equity using historical exchange rates. Monetary assets and liabilities, denominated in Canadian dollars, were translated at rates of exchange prevailing at the statement of financial position date. Income and expenses for each income statement item denominated in Canadian dollars were translated at average exchange rates during the period in which they were recognized.

The impact of this change on assets, liabilities and equity is detailed in each of the reconciliations at October 1, 2010, December 31, 2010 and September 30, 2011. The impact of this change on net income (loss) for three months ended December 31, 2010 and the twelve months ended September 30, 2011 is also detailed in the reconciliations.

b) Share-based payment:

IFRS:

Under IFRS, each tranche of an option award with different vesting dates is considered as a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. In addition, expected forfeiture rates are estimated at the grant date and reduces the amount of the expense. Over time, forfeitures are revised for actual forfeitures such that the amount ultimately recognized as an expense is based on the number of awards that vest.

Canadian GAAP:

Under Canadian GAAP, the Company elected to treat an option award with graded vesting as a pool and determine the fair value using the average life of the instrument. Additionally, the total value of the award was recognized on a straight-line basis over the vesting period. The Company did not estimate forfeitures on the grant date but instead accounted for forfeitures as they occur.

The impact of this reconciling item is as follows:

	Three months ended December 31, 2010	Year ended September 30, 2011
Decrease in stock-based compensation	\$ (29)	\$ (24)

	October 1, 2010	September 30, 2011	December 31, 2010
Decrease in retained earnings	\$ (181)	\$ (157)	\$ (152)
Increase in contributed surplus	181	157	152

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7. Transition to IFRS (Continued)

For options that vested after October 1, 2010, the Company determined that stock-based compensation under IFRS for periods prior to October 1, 2010, was \$631 compared to \$451 previously recorded under Canadian GAAP. Accordingly, an adjustment of \$181 was made to reduce retained earnings and increase contributed surplus as at October 1, 2010.

For the three months ended December 31, 2010, stock-based compensation under IFRS was \$31 as compared to \$60 under Canadian GAAP. For the twelve months ended September 30, 2011, stock-based compensation was \$234 as compared to \$260 under Canadian GAAP.

c) Presentation of consolidated statement of income (loss):

IFRS:

IFRS require the presentation of expenses in the consolidated statements of income to be made based on their nature or the function to which the expenditure relates. The Company has elected to present items in its consolidated statements of income based on the function to which they relate. As a result, the Company has allocated stock-based compensation and certain depreciation and amortization expenses to sales and marketing, general and administration or research and development.

Canadian GAAP:

Previous Canadian GAAP permitted a combination of function and nature presentation approaches.

The following summarizes the changes:

Canadian GAAP Classification	Nature of Expense	IFRS Classification
Depreciation of furniture and equipment	Depreciation of the office related furniture and equipment and leasehold improvements	Allocated to cost of revenue, sales and marketing and research and development or general and administration based on the function using the related assets
Stock-based compensation	Stock-based compensation related to individuals classified as cost of revenue.	Cost of revenue
	Stock-based compensation related to individuals classified within sales and marketing functions.	Sales and marketing
	Stock-based compensation related to individuals classified within the research and development.	Research and development
	Stock-based compensation related to individuals classified within the general and administration function, including directors.	General and administration

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7. Transition to IFRS (Continued)

The impact of the reconciling items was as follows:

	Three months ended December 31, 2010	Year ended September 30, 2011
Canadian GAAP:		
Depreciation of furniture and equipment	\$ 42	\$ 174
IFRS:		
Cost of revenue	\$ 12	\$ 52
Sales and marketing	8	34
Research and development	16	67
General and administration	6	21
	\$ 42	\$ 174
Canadian GAAP:		
Stock-based compensation	\$ 32	\$ 234
IFRS:		
Cost of revenue	\$ 1	\$ 5
Sales and marketing	5	35
Research and development	5	40
General and administration	21	154
	\$ 32	\$ 234

d) Reclassification in statement of cash flows:

Interest received has been classified separately in the condensed consolidated interim statement of cash flows as part of operating activity.

e) Certain reclassifications have been made to the comparative Canadian GAAP figures to conform with the presentation used in the Company's annual financial statements for the period ended September 30, 2011.