Condensed Consolidated Interim Financial Statements of

RDM®

Transforming Payments

Three months ended December 31, 2014

(Unaudited – in U.S. dollars)

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

(Not audited or reviewed by the Company's external auditor)

	December 31, 2014	September 30, 2014
Assets:		
Current assets:		
Cash and cash equivalents	$ 23,009	$ 22,422
Accounts receivable	2,610	3,292
Unbilled revenue	112	124
Inventories	1,927	2,132
Investment tax credit receivable	218	188
Prepaid and other assets	864	807
Total current assets	28,740	28,965
Investment tax credits	225	270
Property and equipment	2,420	2,504
Intangible assets	705	771
Total assets	$ 32,090	$ 32,510
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,535	$ 3,989
Deferred revenue	270	303
Derivative liability	47	-
Total current liabilities	2,852	4,292
Shareholders' equity:		
Share capital (note 4)	20,563	20,512
Contributed surplus	2,618	2,535
Accumulated other comprehensive income	(47)	-
Retained earnings	6,104	5,171
Total shareholders' equity	29,238	28,218
Total liabilities and shareholders' equity	$ 32,090	$ 32,510

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)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31	2014	2013
Revenue:		
Payment Processing Services	$ 3,397	$ 3,525
Digital Imaging Products	2,449	2,226
	5,846	5,751
Cost of revenue	2,413	2,664
Gross profit	3,433	3,087
Operating expenses:		
Sales and marketing	750	766
Research and development	1,163	1,056
General and administration	503	524
	2,416	2,346
Income from operations	1,017	741
Other items:		
Foreign exchange gain	16	54
Interest income	15	9
Other income (note 7)	120	-
	151	63
Income before income taxes	1,168	804
Current income tax expense	45	24
Income for the period	$ 1,123	$ 780
Income per share – basic and diluted	$ 0.05	$ 0.04

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)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31		2014		2013
Income for the period	$	1,123	$	780
Other comprehensive income:				
Effective portion of changes in fair value of cash flow hedges		(47)		(64)
Comprehensive income	$	1,076	$	716

See accompanying notes to the condensed consolidated interim financial statements.

RDM CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance as at October 1, 2013	$ 20,100	$ 2,445	$ 29	$ 2,922	$ 25,496
Total comprehensive income for the period:					
Income for the period	-	-	-	780	780
Effective portion of changes in fair value of cash flow hedges	-	-	(64)	-	(64)
Issuance of share capital	103	2	-	-	105
	20,203	2,447	(35)	3,702	26,317
Stock-based compensation	-	25	-	-	25
Balance as at December 31, 2013	$ 20,203	$ 2,472	$ (35)	$ 3,702	$ 26,342
Balance as at September 30, 2014	$ 20,512	$ 2,535	$ -	$ 5,171	$ 28,218
Total comprehensive income for the period:					
Income for the period	-	-	-	1,123	1,123
Effective portion of changes in fair value of cash flow hedges	-	-	(47)	-	(47)
Issuance of share capital	51	(24)	-	-	(27)
Dividends paid	-	-	-	(190)	(190)
	20,563	2,511	(47)	6,104	29,731
Stock–based compensation	-	107	-	-	107
Balance as at December 31, 2014	$ 20,563	$ 2,618	$ (47)	$ 6,104	$ 29,238

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)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31	2014	2013
Cash provided by (used in):		
Operations:		
Income for the period	$ 1,123	$ 780
Items not involving cash:		
Current income tax expense	45	24
Depreciation of furniture and equipment	181	150
Amortization of intangible assets	71	145
Stock-based compensation	107	25
Interest earned	(15)	(9)
Change in non-cash operating working capital (note 6)	(665)	(1,112)
Cash provided by operations	847	3
Interest received	5	9
Net cash provided by (used in) operation activities	852	12
Financing:		
Issuance of share capital	27	105
Dividends paid	(190)	-
Cash provided by financing activities	(163)	105
Investing:		
Purchase of furniture and equipment	(97)	(590)
Additions to intangible assets	(5)	(306)
Cash used in investing activities	(102)	(896)
Increase (decrease) in cash and cash equivalents	587	(779)
Cash and cash equivalents, beginning of period	22,422	20,126
Cash and cash equivalents, end of period	$ 23,009	$ 19,347

See accompanying notes to the condensed consolidated interim financial statements.

(Amounts in thousands of U.S. Dollars, Except Share and Per Share Amounts)

1) Reporting Entity

RDM Corporation ("RDM" or the "Company"), a company with its principal place of business and registered head office 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. The condensed consolidated interim financial statements of the Company as at and for the three months ended December 31, 2014 and 2013 comprise the accounts of the Company and its subsidiaries (together referred to as "the Company").

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.

2) Basis of Preparation

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended September 30, 2014. These statements should be read in conjunction with the consolidated financial statements for the year ended September 30, 2014.

3) Foreign exchange management

The functional and presentation currency is the U.S. dollar. The Company generates the majority of its revenues in U.S. dollars. A portion of the Company's expenses are incurred in Canadian dollars. The Company enters into U.S. dollar forward contract as hedges against foreign currency exposure.

At December 31, 2014, the Company had outstanding U.S. dollar forward contracts totaling U.S. $1,500 at a rate of Canadian $1.12 to U.S. $1.00. At September 30, 2014, the Company had no outstanding U.S. dollar forward contracts. The fair value of the U.S. dollar forward contracts is included as a liability under derivative liabilities totaling $47 on the balance sheet as at December 31, 2014. Subsequent to December 31, 2014, the Company entered into additional forward contracts totaling U.S. $1,500 at a rate of Canadian $1.19 to U.S. $1.00.

4) Share Capital and Stock Options

	December 31, 2014	September 30, 2014
Authorized:		
Unlimited number of voting common shares		
Unlimited number of non-voting preferred shares		
Issued and outstanding:		
21,673,726 common shares (September 30, 2014 – 21,648,726)	$ 20,563	$ 20,512

a) Three months ended December 31, 2014 transactions:
During the first quarter of fiscal 2015, 25,000 options were exercised for common shares. No shares were repurchased or cancelled.

b) Three months ended December 31, 2013 transactions:
During the first quarter of fiscal 2014, 110,000 options were exercised for common shares. No shares were repurchased or cancelled.

c) The Company maintains Stock Option Plans ("the "Plans") to encourage ownership of the Company by Directors, Officers and employees of the Company. The maximum number of shares issuable under the Plans is equal to 10% of the Company's issued and outstanding common shares plus an additional 575,000 pursuant to an exemption under Section 613(c) of the Toronto Stock Exchange Manual.

5) Income per share information

Three months ended December 31	2014	2013
Weighted average common shares outstanding during the period	21,661,226	21,397,226
Income per share – basic and diluted	$ 0.05	$ 0.04

At December 31, 2014, 2,198,500 options to purchase common shares were outstanding (2013 – 1,792,500).

6) Change in non-cash working capital

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

Three months ended December 31	2014	2013
Accounts receivable	$ 704	$ (1,494)
Inventory	205	(300)
Investment tax credits	(30)	19
Prepaid and other assets	(57)	(5)
Accounts payable and accrued liabilities	(1,454)	678
Deferred revenue	(33)	(10)
	$ (665)	$ (1,112)

7) Other income

Three months ended December 31	2014	2013
	$ 120	$ -

In fiscal 2013 the Company recorded other expense of $2,240 as an estimate of the full cost of a settlement of a claim by PPS Data, LLC for alleged patent infringement. The Company's estimate included $600 payable in the future. In the first quarter of 2015 the final amount payable was determined to be $480.The difference of $120 has been recorded in other income.