



## NEWS RELEASE

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## OMT Reports Annual Results for 2009

**Winnipeg, Manitoba, April 30, 2010** -- OMT Inc. (TSXV: OMT) announced today the Company's consolidated results for the year ended December 31, 2009.

### 2009 Highlights:

- While year on year total sales dropped \$584,000 due to the financial conditions in North America, an increase in gross margins of 3.5% and a reduction in operating expenses of \$71,000 resulted in an operating loss of only \$28,000
- A major milestone was achieved with the completion and customer acceptance of the large custom contract in progress that began in 2005 and valued at over \$500,000 in revenue recorded over the four years.
- The long-term debt, in the amount of \$3,995,000, which was due to mature on July 15, 2009 was extended to July 15, 2011. In parallel, OMT negotiated a further extension of the interest deferral arrangement, related to \$3,000,000 of the debt until July 15, 2011.
- OMT divested its Intertain Media division in order to focus on the more mature and proven iMediaTouch radio automation product suite and its large installed base of customers.
- OMT completed development and introduction of its new mass storage solution, iMediaArchive, with an initial deployment in a unique, custom client application. The newly developed product is now available for other clients who have a large internal library database management application.
- The beta trial for the new Version 4 of OMT's core iMediaTouch radio automation solution was completed in the 4<sup>th</sup> quarter 2009, and commercially launched in the 1<sup>st</sup> quarter 2010.

### Description of Business

OMT Inc. (TSXV: OMT) is a digital media content and technology solution provider to radio broadcasters. Through its wholly-owned operating subsidiary, OMT Technologies Inc. the Company delivers radio automation systems to radio stations internationally. OMT's broadcasting, multi-media technology, and content are heard daily by over 50 million people worldwide through radio, satellite, television and Internet delivered broadcasts. To learn more about the Company, its products and services, visit its website at [www.omt.net](http://www.omt.net).

### Management's Discussion and Analysis

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of

operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent our current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

## Results of Operations

This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009 and the associated notes, which were prepared in accordance with Canadian generally accepted accounting principles (GAAP). All amounts are in Canadian dollars unless otherwise indicated.

The audited consolidated financial statements provide a comparison of the year ended December 31, 2009 to the years ended December 31, 2008 and 2007.

### Annual Review (numbers shown in '000s)

	December 31 2009	December 31 2008	December 31 2007
Sales	\$2,198	\$2,781	\$2,626
Gross profit	\$1,494	\$1,793	\$1,738
Gross profit %	67.9%	64.5%	63.7%
Operating expenses	\$1541	\$1,651	\$1,726
EBITDA	(\$47)	\$142	\$12
Other expenses	\$330	\$588	\$681
Net loss	(\$377)	(\$446)	(\$669)
Net loss per share (basic & diluted)	(\$0.013)	(\$0.015)	(\$0.023)
Gain on extension of debentures	\$201	-	-
Discontinued operations – loss	(\$41)	(\$186)	(\$84)
Discontinued operations – gain on disposal	\$58	-	\$181
Dividends declared	Nil	Nil	Nil
Total assets	\$404	\$583	\$519
Total long-term liabilities	\$4,311	\$4,072	\$3,571

Results for the years ended December 31, 2009, 2008 and 2007 reflect the total business of the OMT Inc. and its wholly owned subsidiary, OMT Technologies Inc. Sales, cost of sales and expenses for the now divested Intertain Media Inc. division have been removed to allow proper comparison between the periods and are not shown on this chart. OMT Technologies includes the iMediaTouch radio automation and related products.

Total sales in 2009, as compared to 2008, decreased \$583,000 (21.0%). When compared to 2007, sales decreased \$428,000 (16.3%). The North American financial crisis, that began in November, 2008 in the United States had a severe impact on the radio industry advertising revenues and the overall confidence in the economy. Our customers were directly affected and reacted by postponing and reducing capital expenditures. The broadcasting industry in Canada was also reacting but not as seriously as in the USA. Due to a few large projects, sales in Canada actually increased to \$905,000 and with the reduced USA sales activity, represented 41.1% of total sales as compared to 26% in 2008.

Gross profit of \$1,494,000 in 2009 was \$299,000 (16.7%) less than 2008 and \$244,000 (14.0%) less than in 2007. These decreases are entirely associated with the lower sales levels experienced over the last two years, as explained above. The gross margin percentage of 68.6% is higher than previous years (2008 – 64.5%; 2007 - 63.7%). Gross profit margins fluctuate with the mix of sales between hardware, software and services in any specific period.

Operating expenses at \$1,541,000 are \$110,000 (6.7%) less than last year and \$185,000 (10.7%) less than 2007. Recognizing the potential impact of the external economy on OMT and our clients, the Company took aggressive steps to reduce our operating expenses in 2009, while ensuring that these measures did not impact the product or overall market strategies of the Company. In addition to ongoing tight expense controls within operations, two actions in 2009 have had a significant effect on expense levels. The Company moved into new premises at the end of its previous lease arrangement with terms that have significantly reduced the monthly rent and related expenses. Also, as noted previously, OMT divested of its wholly owned subsidiary, Intertain Media Inc. Both events have served to contribute to the significant expense reductions.

EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortization and is a measure that has no standardized meaning under Canadian GAAP and is considered a non-GAAP earnings measure. Therefore this measure may not be comparable to similar measures reported by other companies. EBITDA can be used to compare the Company's operating performance on a consistent basis. It is presented in this MD&A to provide the reader with additional information regarding the Company's liquidity and ability to generate funds to finance its operations.

Other expenses that reduce EBITDA to arrive at net loss include:	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest, bank charges, non-cash interest accretion	\$328	\$585	\$672
Amortization	\$ 2	\$ 3	\$ 31
Total	\$330	\$588	\$703

The net loss in 2009 of \$578,000, before discontinued operations and the gain on the extension of the debentures, is greater than the loss of \$446,000 (29.6%) in 2008, and improved from the loss of \$669,000 (13.6%) in 2007. As explained above, the reason for the increase in the net loss is due to the lower sales experienced in 2009. While the expense reductions achieved over the previous year were significant, they did not fully compensate for the lower sales in the year.

Loss per share of \$0.013 in 2009, \$0.015 in 2008 and \$0.023 in 2007 is calculated on an average of 28,922,090 shares issued in all three years.

#### Eight Quarter Review (numbers shown in '000s)

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	\$446	\$709	\$558	\$485	\$662	\$571	\$803	\$745
Gross profit	\$324	\$405	\$408	\$357	\$449	\$393	\$502	\$449
Gross profit %	73%	57%	73%	74%	68%	69%	63%	60%
Operating expenses	\$425	\$344	\$454	\$318	\$356	\$372	\$512	\$411
EBITDA	(\$101)	\$61	(\$46)	\$39	\$93	\$21	(\$10)	\$38
Other expenses	\$175	\$107	(\$102)	\$150	\$151	\$152	\$145	\$140
Net income (loss)	(\$276)	(\$46)	\$56	(\$111)	(\$58)	(\$131)	(\$155)	(\$102)
Net income (loss) per share (basic & diluted)	(\$0.010)	(\$0.002)	\$0.002	(\$0.004)	(\$0.002)	(\$0.005)	(\$0.005)	(\$0.004)

Results for the quarters ended in 2009 and 2008 reflect the total business of OMT Inc. and its wholly-owned subsidiary, OMT Technologies Inc. Sales, cost of sales and expenses for the now divested Intertain Media Inc. division have been removed to allow proper comparison between the periods and are not shown on this chart. OMT Technologies includes the iMediaTouch radio automation and related products.

Sales have been directly affected by the economic slowdown which started in Q3 of 2008. A review of the quarterly results reflects this external market impact. The economic conditions appear to be improving. Radio advertising and client capital expenditures, however; are still not yet at previous levels. Management expects sales will recover to higher levels as the North American economic conditions improve and OMT's clients begin to achieve higher advertising revenues. This will then support a renewal of their capital expenditure programs, and benefitting OMT's sales activities.

Gross margin at 57% in the third quarter of this year was lower than normal for several reasons. When compared to sales in the same quarter last year, hardware sales were up \$132,000 and software sales were up only \$27,000. The increase in hardware sales without a corresponding increase in software revenue changes the sales product mix and naturally results in lower margins. In addition, the multi-year custom contract which was completed and billed in the third quarter did not achieve expected gross margins due to unforeseen additional costs.

Other expenses include interest paid as well as interest accreted on the long-term debt. In the second quarter the maturity date on the long-term debt was extended for two years to July 15, 2011. This required a revaluation on a part of the debt and a one time gain of \$201,000 which was recognized in the second quarter. Also, in the second quarter, other expenses which included accreted interest of approximately \$123,000 were reduced, and became a negative \$102,000. Interest payments that were deferred starting January, 2008 on \$3,000,000 of the debt have resulted in increased interest expense accretion. The amount of interest accretion on deferred interest payments in 2009, included in other expenses (Q4) above, is \$38,000. The revaluation of the long-term debt is required by Canadian Generally Accepted Accounting Procedures (GAAP) and results in the use of effective interest in the financial statements.

#### **Fourth Quarter 2009**

Fourth quarter revenue at \$446,000 was \$216,000 (32.6%) lower than the same quarter last year and \$263,000 (37.1%) lower than the third quarter this year. The reason for the decrease in sales in the fourth quarter was the economy, as discussed above. The decrease experienced was general in nature and not due to any particular product or service.

Gross margins in the fourth quarters this year and last year were typical at 73% and 68% respectively.

Operating expenses at \$425,000 in the fourth quarter this year were \$81,000 higher than the third quarter and \$69,000 higher than the fourth quarter last year. This increased amount included expenses related to the retirement of a former executive and additional sales staff.

## Cash Flow

Cash flow in 2009 was a positive \$77,000 as compared to a negative cash flow in 2008 of \$10,000. In 2009 the bank operating loan was reduced by \$5,000, compared to an increase of \$220,000 in 2008. The cash flow trend in 2009 is very positive when compared to last year when considering the challenging economic year experienced by the Company. The chart below shows the contributing components of these amounts.

Description	2009	2008
Net income (loss)	(\$ 360,000)	(\$ 632,000)
Increase (decrease) in bank operating loan	(5,000)	220,000
Interest accretion	441,000	501,000
Gain on extension of long-term debt	(201,000)	-
Gain on sale of discontinued operations	(57,000)	-
Discontinued operations working capital	22,000	-
Cash received for discontinued operations, net	65,000	-
Amortization	2,000	16,000
Disposal (addition) to property and equipment	-	(2,000)
Accounts receivable (increase) decrease	42,000	(68,000)
Inventory decrease (increase)	71,000	(16,000)
Prepaid expenses (increase) decrease	30,000	(4,000)
Accounts payable increase (decrease)	19,000	13,000
Unearned revenue increase (decrease)	8,000	(38,000)
	<u>\$ 77,000</u>	<u>(\$ 10,000)</u>

## Liquidity

Working capital at December 31, 2009 was negative \$110,000 compared to negative \$29,000 last year, a decrease of \$81,000. The decrease is the result of operating losses. The Company made no capital investments in 2009 and has not made any significant commitments for capital expenditures as at December 31, 2009. The Company anticipates that its current working capital, combined with available credit facilities, should be sufficient to meet the ongoing cash requirements in 2010.

The bank line of credit, which bears interest at a floating rate of prime plus 1%, is limited to a maximum of \$400,000 of which \$215,000 (December 31, 2008 - \$220,000) has been drawn at December 31, 2009.

## Long Term Debt and Interest Payments

The long-term debt was originally recorded on the consolidated balance sheet at its combined discounted values of \$2,960,430 and was to be accreted equally over the four year term of the loan for effective interest, and at maturity was to be equal to the face value of the debentures and loans. The long-term debt of \$3,995,000 was scheduled to mature on December 20, 2008. In separate agreements signed April 11, 2008 with the loan and the debenture holders, the date of maturity was extended to July 15, 2009. A subsequent amending agreement signed on April 28, 2009 with the principal debt holders further extended the date of maturity of all of the debt to July 15, 2011. No principal payments are required until that date. Since the long-term loans of \$3,000,000 are held by principal shareholders, under Generally Accepted Accounting Principles (GAAP) the further extension to these loans do not require a change to the present value of the debt. The change to the maturity date of the long-term debentures held by arms-length parties, however, requires revaluation under GAAP as if the old debt was extinguished and new debt re-issued under new terms and reflecting a current market interest rate. The current effective interest rate for such debt arrangement, estimated by management, was 20% at the time of the extension, up slightly from the previous

years' effective interest rate of 19.9%. The application of GAAP to the extension of the long-term debentures results in a one-time gain of \$201,191. This amount reduces the fair value of the debentures and is shown as a gain on extension of the long-term debentures in the consolidated financial statements. The one-time gain represents a recovery of past effective interest expensed on the extended debentures, due to extending the required principal repayment date, and will be accreted over the remaining term of the debentures as interest expense.

In a separate agreement signed April 11, 2008, the principal debt holders, who together hold \$3,000,000 of the Company's long-term debt, provided the Company with a signed waiver to defer the monthly interest payments, representing approximately \$20,000 per month until such time that the Company's cash reserves grow to \$500,000. A subsequent amending agreement signed on April 28, 2009 with the principal debt holders changed the date for interest deferrals to July 15, 2011, or until such time when cash reserves grow to \$500,000. Interest continues to be paid monthly on the remaining debt of \$995,000 represented by CIBC Mellon Trust Company.

The ability of the Company to carry on as a going concern is dependant upon achieving profitable operations which cannot be predicted at this time, the continued availability of its line of credit and to obtain additional financing when its existing financing becomes due. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

### **Related Party Transactions**

The Company was contracted to supply radio automation software and services to a company of which one of OMT's former directors is also an officer and director. The project, which was valued at approximately \$536,000, began in 2005 and at August 31, 2009 the project, after numerous delays, was completed and the revenue fully recognized. Part of the original contract is a 36 month service agreement for OMT to maintain the system. OMT has a 36 month service agreement with one of its suppliers to maintain the software it supplied on the contract. Management does not anticipate further complications with this project.

### **Sale of Intertain Media Inc.**

Following a formal process to sell Intertain, a wholly-owned subsidiary, on May 31, 2009 OMT Inc. sold all of its issued and outstanding shares of Intertain to the President and Chief Executive Officer and a member of the Board of Directors of the Company. The shares were sold for an aggregate consideration estimated to be \$172,500 which is the exchange amount. Included in the aggregate consideration is \$90,000 payable by Intertain at \$30,000 on each the next three closing anniversary dates. The first two \$30,000 payments include potential reductions to a maximum of \$10,000 each, contingent on the successful extension of contracts with a large Intertain customer. Due to risk factors identified in evaluating Intertain's ability to generate sufficient cash flows to meet the three anniversary payments in the future, an allowance has been taken against the future payments, and the associated related party account receivable which reduces the gain recognized on the sale of Intertain by \$90,000 in the current year.

### **Critical Accounting Estimates**

#### *Sale of Intertain Media Inc.*

The transaction terms associated with the sale of Intertain Media Inc. included future payments on each of the following three anniversary dates. These anniversary payments and contingent continuing cash flows from Intertain are not dependent on actions or decisions to be taken by the Company's management and therefore are not considered by management to indicate continuing operations related to the Intertain division. Accordingly, the results of operations and future cash flows related to Intertain are classified as

discontinued operations. Management evaluated this lack of certainty regarding the contingent payments and decided to defer revenue recognition until the payments are received.

#### *Fair value of debentures and interest rate*

Fair value of the debentures is the present value calculated using the market interest rate and time to maturity. Management reviewed the financial condition of the Company and consulted with professionals to arrive at an interest rate for this purpose. See the section above “Long Term Debt and Interest Payments” for more details.

### **Changes in Accounting Policies**

Recent accounting pronouncements adopted on January 1, 2009

#### *Section 3064 - Goodwill and Intangible Assets*

This section, which replaces sections 3062 and 3450, establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption has had no significant impact on the earnings or financial position of the Company.

#### *International Financial Reporting Standards (IFRS)*

In February, 2008 the Canadian Accounting Standards Board (AcSB) announced that as at January 1, 2011, publicly accountable enterprises are expected to adopt IFRS. Accordingly, the Company expects to adopt these new standards during its fiscal year beginning on January 1, 2011. The AcSB also stated that during the transition period, enterprises will be required to provide comparative IFRS information for the previous fiscal year. The IFRS issued by the International Accounting Standards Board (IASB) require additional financial statement disclosures and, while the conceptual framework is similar to Canadian GAAP, enterprises will have to take account of differences in accounting principles. We have completed the initial assessment of these new standards on the consolidated financial statements, but are unable to determine the final quantitative impact on future financial statements with any certainty at this time. Changes that have been identified are insubstantial and include property and equipment and intangible assets.

### **Internal Controls**

The management of OMT is responsible for establishing and maintaining disclosure controls and procedures for the Company and has designed such disclosure controls and procedures, or caused them to be designed under OMT’s management supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, is made known to OMT’s management by others within the Company, including its consolidated subsidiary. OMT management has evaluated the effectiveness of the Company’s disclosure controls and procedures for the period covered by this MDA and based on that evaluation has concluded that the disclosure controls and procedures are effective. New legislation, however, does not require certification over internal controls; rather the President and Chief Financial Officer will be signing the bare certificate. There may be additional risks to quality, reliability and transparency of interim and annual filings and other reports provided under this new securities legislation.

### **Risks and Uncertainties**

The Board of Directors is responsible for oversight of our liquidity and funding management framework, which is developed and implemented by senior management. We monitor and manage our liquidity position on a consolidated basis. This includes our ability to lend and borrow funds between the Company and its subsidiary and converting funds between currencies. The Board of Directors is informed on a regular basis about our current and prospective liquidity condition.

The risks and uncertainties discussed below must be taken into account, as they may affect the Company's ability to achieve our strategic goals. Investors are therefore advised to consider the following items in assessing the Company's future prospects as an investment.

*Capital requirements*

OMT Inc. has renegotiated the terms of repayment on the subordinated debt which will now mature on July 15, 2011. It is uncertain if future cash flow from operations will be sufficient to repay the subordinated debt at maturity. Also, the Company's ability to continue to operate as a going concern will be dependent on continued cash management within the Company's current line of credit facility, the continuation of an available line of credit and later, obtaining new financing and/or renegotiating the repayment terms of the subordinated debt prior to the newly extended July 15, 2011 maturity date. Readers should refer to notes 1(a) and 4 and 5 in the consolidated financial statements.

*Credit risk*

The project nature of the business also leads to a concentration of credit risk. As at December 31, 2009 five customers accounted for 71% (2008 five customers – 62%) of the total accounts receivable. However, the risk of loss is partially mitigated due to the Company's policy of collecting a deposit before any project is commenced. The Company also bills in advance for service and support contracts. At December 31, 2009 the overdue accounts receivable from customers totaled \$190,000 (2008 - \$105,000). Detail concerning the overdue accounts receivable at December 31, 2009 are:

Overdue 31 - 60 days	\$ 57,000
Overdue 61 – 90 days	\$ 6,000
Overdue 91 and over days	\$127,000

Accounts receivable as well as accounts payable are kept relatively current, and there is minimal risk of delayed collections affecting the Company's ability to pay its creditors. The large overdue amount at December 31, 2009 relates mainly to one customer and was collected in January, 2010.

*Foreign exchange risk*

A significant portion of the Company's revenues are denominated in U.S. dollars, and as a result fluctuations in the rate of exchange between U.S. and Canadian dollars can have a significant effect on its cash flows and reported results. The Company's sales denominated in U.S. dollars for the year ended December 31, 2009 were \$1,293,000 (59%) expressed in Canadian currency. Sales prices do not vary based on exchange rates. A 10% increase in the value of the Canadian dollar has the effect of a 10% decrease in revenues from U.S. sales. The same increase in the value of the Canadian dollar has a mitigating effect of a 10% decrease in the cost of hardware sales because computers and related equipment for installation in the U.S. are generally purchased there. Most expenses incurred by our technical staff for on-site services are billed to the customer and incur no foreign exchange risk.

*Current External Economic and Financial Crisis*

The global economic and financial crisis has had a negative impact on the revenues of the Company in 2009, and this may well continue throughout the next year. Generally, prices are under pressure and client capital investment decisions and new maintenance contracts may be postponed. In this environment, it may be difficult to achieve revenue projections for 2010. As the revenues of our customers are negatively impacted, we see additional focus on their part to reduce or postpone costs. The Company procurement approach does not expose it to any risk from any specific vendor.

*Competition and technological obsolescence*

Our products' markets experience ongoing technological changes and apart from the fact that OMT Inc. must compete with existing technology and service providers, new companies and advancing technologies remain a competitive fact. In order to remain fully competitive in our target markets, OMT must continue to innovate and respond with advanced generations of software, products and services. The inability to react in a timely fashion to technological and competitive changes could have an impact on the value of the Company's intangible assets and our ability to attract and retain our customers. Moreover, the highly competitive market

in which we operate could cause the Company to reduce its prices and offer other favorable terms in order to compete successfully with its rivals. These practices could, over time, limit the prices that OMT can charge for its products. If OMT was unable to offset such potential price reductions by a corresponding increase in sales or to lower expenses, such a decline in revenues from software sales and related products could negatively impact our profit margins and operating results.

**Additional Information**

Additional information related to the Company, including all public filings, is available on SEDAR ([www.sedar.com](http://www.sedar.com)).