



## NEWS RELEASE

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## OMT Reports Results for Three Months Ended June 30, 2007

**Winnipeg, Manitoba, August 29, 2007** -- OMT Inc. (TSXV: OMT) announced today the Company's consolidated results for the period ended June 30, 2007.

### Second Quarter Highlights

- *OMT continued to grow its recurring revenues in the second quarter through both its Commercial radio station and Retail media service segments*
- *The Retail media service revenues grew over the same period last year with significant undertakings including a large audio system implementation with Holt Renfrew and a new pilot with Telus*
- *OMT previewed its new Non Traditional Revenue (NTR) solutions to radio broadcasters at the major broadcast industry trade show in April*
- *OMT concluded the divestiture of its non-core Retail Preview business asset for a net gain on proceeds to provide additional working capital and focus on the core business segments*
- *OMT continues to explore alternatives to refinance or restructure its long-term debt obligations.*

### Description of Business

OMT Inc. (TSXV: OMT) is a digital media content and technology solution provider to radio broadcasters and retailers with two business units. Intertain Media, the digital entertainment division, offers background music and messaging services as well as digital signage systems to major retailers and commercial businesses. The OMT Technologies division 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 consolidated financial statements for the six months ended June 30, 2007 and the associated notes.

The unaudited consolidated financial statements provide a comparison of the six months ended June 30, 2007 to the six months ended June 30, 2006. The Eight Quarter Review figures have been adjusted to reflect the discontinued operations.

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

	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total Sales	\$1,008	\$781	\$737	\$673	\$917	\$713	\$637	\$855
Gross Profit	\$463	\$533	\$517	\$452	\$566	\$489	\$413	\$565
Gross Profit %	46%	68%	70%	67%	62%	69%	65%	66%
Operating Expenses	\$605	\$596	\$586	\$573	\$599	\$582	\$622	\$598
EBITDA	(\$142)	(\$63)	(\$69)	(\$121)	(\$33)	(\$93)	(\$209)	(\$33)
Other Expenses	\$169	\$176	\$213	\$197	\$196	\$194	\$229	\$214
Net Income (Loss)	(\$311)	(\$239)	(\$282)	(\$318)	(\$229)	(\$287)	(\$438)	(\$247)
Net Income (Loss) per share (basic & diluted)	(\$0.011)	(\$0.008)	(\$0.010)	(\$0.011)	(\$0.008)	(\$0.010)	(\$0.015)	(\$0.008)

Sales in the second quarter this year were \$91,000 higher than the same period last year due to growth in the Retail media business segment. Revenue for the in-store Retail Radio product was \$367,000 in the second quarter as compared to \$32,000 last year, an increase of \$335,000. This revenue included a large audio system implementation for a retail client. Market interest for this relatively new product is strong. Management is encouraged by this sales success and is focused on continued accelerated growth opportunities for this core product in the future. Recurring revenue in the commercial radio and retail media businesses was up a total of \$23,000 (12%) from the second quarter last year.

In 2006, commercial radio revenue included \$250,000 for a large custom project. In 2007, the project has run into technical difficulties. As a consequence, recognized revenue in this quarter was \$47,000 less than applicable costs, and the gross margin, overall, has been reduced.

Gross profit in the second quarter was down 18% or \$103,000 over the same quarter last year. In addition to the problem with the custom project described above, this gross profit decrease was the result of the change in the sales mix described above. The margin percentage on the retail audio system installation, which was largely hardware, was much less than traditional service revenues. However, going forward these Retail Radio installations will provide monthly recurring revenues for the duration of the customer contract period.

Operation of the Company remains largely unchanged from the previous year. Sale of the retail preview business has not and will not affect operating expenses in any significant way. Employees were mostly shared and with the increasing retail media revenues, the core staff will continue to be fully utilized. For this reason, it is difficult to isolate expenses that affect only the discontinued operation. As such, the chart above does not include any expense reductions from the discontinued operations. For the present, the current company premises will continue to be adequate for our needs.

Operating expenses were slightly higher in the second quarter of this year as compared to last year. This slight increase was a result of a change in accounting policy as related to prepaid expenses.

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. In the second quarter of 2007, EBITDA was (\$142,000), as compared to (\$33,000) in the same period last year.

Other expenses that reduce EBITDA to arrive at net loss include:	<u>Q2-2007</u>	<u>Q2-2006</u>
	[000's]	
Interest, finance and related expense	\$145	\$145
Amortization	<u>\$ 24</u>	<u>\$ 51</u>
Total	<u>\$169</u>	<u>\$196</u>

### Cash Flow

Cash flow in the second quarter was negative \$71,000 mainly due to one large customer account that was outstanding as at June 30. With the subsequent collection of this large account, the accounts receivable are again in good standing.

### Changes in Accounting Policies

A change to one accounting policy involving the way convention expenses are prepaid was implemented in the first quarter of 2007. In the second quarter, the effect of this change was to reduce the amount of prepaid convention expense on the balance sheet with a corresponding increase in expenses of \$14,000. If the change had been in effect in the second quarter of 2006, the reduction in prepaid expenses in 2006 would have been \$30,000, with a corresponding increase in expenses. Details of significant accounting policies are fully disclosed in the financial statements.

### Liquidity

OMT was in compliance with its financial covenants with all lenders as at June 30, 2007.

Working capital, as defined by the Company's principal lenders, includes all of the current liabilities except deferred revenue. Deferred revenue (customer deposits on projects and service contracts) at June 30, 2007 and December 31, 2006 was \$362,000 and \$729,000 respectively. This reduction in customer deposits of \$367,000 is the reason for the reduction in cash as well and working capital. Working capital at June 30, 2007 was \$395,000 as compared to \$722,000 at December 31, 2006, a decrease of \$327,000. The working capital ratio of 1.9:1 is well within the limit as set by the Company's lenders.

Management does not expect to require any new funding for its operations in the coming year in excess of its available line of credit. At the time of writing (August 29, 2007), the Company had no borrowings on its available operating line of credit of \$400,000.

The subordinated debt of \$3,995,000 (present value \$3,505,671) will mature on December 20, 2008. Management anticipates that the Company will not be able to generate enough cash from normal business operations and that additional financing or other supporting strategies may be required to retire or refinance this debt. Management continues to explore alternatives to proactively address this issue.

### Sale of Retail Preview Business

On May 28, OMT entered into a binding Purchase Agreement to sell the Retail Preview business assets and operations to Farr Media Corporation ("FMC"). FMC is a corporation owned and controlled by OMT's past President & CEO, Scott Farr. Retail Preview is a service offered to media retail stores to enable the preview of CDs, DVDs and video game content prior to making a final purchase decision.

OMT has recognized a gain from this transaction in the amount of \$181,412, which is included in the second quarter financial results. In addition, Intertain is entitled to receive quarterly royalties beginning January 1, 2008 and ending December 31, 2011 on any ongoing subscription revenues from the current customers of Retail Preview.

The retail sale of music CDs and video DVDs continues to undergo an accelerated transition with the availability of competing online services. As a result, Retail Preview was viewed as a non-strategic asset for OMT going forward. OMT's iMediaTouch and Retail Radio product suites currently enjoy a strong market position with continued growth prospects, and therefore are better aligned with the strategic vision of our company. The accompanying financial statements have been changed to remove sales and cost of sales of the discontinued business from current and past numbers. This would also apply eight quarter review above.

### **Related Party Transactions**

In October 2005, a major shareholder provided a guarantee for \$400,000 to the Bank of Nova Scotia in support of the Company's line of credit. This guarantee is ongoing and requires payments of a monthly administration fee of \$1,000 as well as a monthly standby fee of \$1,000. If the Company actually draws down on the guarantee, then the interest rate would be 20% of the amount received. The Company consummated this related party transaction to ensure continued support the operating Line of Credit with the Bank.

During the period, the Company made debt interest payments totaling \$60,000 to three major shareholders.

The Company has contracted to supply Radio Automation Software and Services to a company of which one of OMT's directors is also an officer and director. The project, which is valued at approximately \$575,000, began in 2005 and at June 30, 2007 the revenue for the work completed and recognized was \$375,000.

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

An evaluation of the effectiveness of the Company's disclosure controls and procedures ("DC&P") and an assessment of the design of its internal control over financial reporting ("ICFR") was conducted as of the end of the period covered by this MD&A, by and under the supervision of the President and the Chief Financial Officer (CFO), pursuant to the requirements of Multilateral Instrument 52-109.

Management has established and maintained DC&P for the Company in order to provide reasonable assurance that material information relating to the Company is made known to it in a timely manner, particularly during the period in which the annual filings are being prepared. Management has evaluated the effectiveness of the Corporation's DC&P as of the date of this report and believes them to be effective in providing such reasonable assurance.

Management is responsible for designing internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. There are inherent weaknesses in the systems of internal control due to the small size of the Company and its inability to segregate incompatible functions and the use of manual systems as a result. Management believes that this weakness has not caused any material information to be withheld in its financial disclosures, or impacted reported financial results. The Company plans to remediate these weaknesses by expanding the number of individuals involved in accounting and administrative functions as the Company grows. Effective design of internal controls over financial reporting are achieved, despite this weakness, because of management's direct involvement in the internal controls over the financial reporting process.

During the process of review and evaluation it was determined that the design of internal controls over financial reporting as of June 30, 2007 was adequate and provided management with the ability to fairly represent the financial affairs of OMT.

Management has performed supplementary procedures in addition to the normal recurring control procedures over the above business cycles to conclude that the 2007 consolidated financial statements are fairly stated.

### **Recent Accounting Pronouncements**

The following new handbook sections are effective for fiscal years beginning on or after October 1, 2006 and have been adopted in 2007. The Company believes that adoption of these standards has not had a material effect on the results of operations and financial positions.

#### *CICA 3855 – Financial Instruments – Recognition and Measurement*

This section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount, either fair value or a cost-based measure. The section also provides standards for reporting gains and losses on financial instruments.

#### *CICA 1530 – Comprehensive Income*

This section provides a new requirement that certain gains and losses are to be temporarily presented outside of net earnings and recognized as “other comprehensive income”. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but are excluded from net earnings.

#### *Financial Instruments*

The current assets and liabilities of the Company, which are subject to normal trade terms, are financial instruments for which the recorded carrying values approximate the fair value. The long-term debt obligations of the Company, for which no ready market exists, have been evaluated on the basis of discounted cash flows and it is believed that the fair value of these obligations is approximately equal to the current carrying value.

No significant changes have occurred in the types of financial instruments, the Company's approach to evaluating these instruments and the Company's exposure to certain risks relating to these instruments, since the preparation of the MD&A section in the Company's 2006 annual report.

### **Risks and Uncertainties**

We are confident about OMT Inc.'s long-term prospects. However, the risks and uncertainties discussed below must be taken into account, as they may affect our 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.

#### *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 we were 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.

*Growth management and market development*

There can be no assurance that OMT Inc. will be able to significantly develop its market, which would affect its profitability. On the other hand, rapid growth would put significant pressure on management, operations and technical resources. To manage growth, the Company would have to increase its technical and operational complement and manage its staff while effectively maintaining numerous relationships with third parties.

*Long-term debt*

On December 20, 2008 the subordinated convertible debt in the amount of \$3,995,000 matures. The debt, at the option of the holder, can be converted to common shares at \$0.12 per share. In the event that the debt-holders do not choose to exercise the conversion option the Company will have to secure new financing to settle the debt. If that should happen, there can be no assurance that new financing will be available under acceptable conditions for the Company and with terms favorable to its growth.

*Capital requirements*

OMT Inc. would need to find the necessary funds to execute its strategic goals if net revenues from operations were insufficient to do so. In the event that financing were required, there can be no assurance that additional capital will be available under acceptable conditions for OMT and according to terms favorable to its growth.

**Additional Information**

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