

Consolidated Financial Statements

For the nine months ended September 30, 2008 and 2007
(Zedi Inc. formerly zed.i solutions inc.)

Consolidated Balance Sheets

As at	September 30, 2008	December 31, 2007
<i>(In thousands)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,742	\$ 12,539
Accounts receivable	9,005	6,579
Inventories (Note 11)	6,647	6,480
Prepaid expenses and deposits	265	179
	24,659	25,777
Capital assets	1,875	1,552
Deferred development costs	5,320	3,715
Intangible assets	3,582	3,538
Goodwill	14,493	11,140
Future income tax assets (Note 7)	1,268	2,508
	\$ 51,197	\$ 48,230
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,470	\$ 797
Accrued liabilities	1,812	1,344
Deferred revenue	4,651	2,877
	8,933	5,018
Long-term debt	59	59
	8,992	5,077
Shareholders' equity:		
Share capital (Note 4)	51,215	53,310
Contributed surplus (Note 5)	5,025	5,255
Deficit	(14,035)	(15,412)
	42,205	43,153
	\$ 51,197	\$ 48,230

*See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Martin A. Lambert, Director



Douglas G. Marlin, Director

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

<i>(In thousands, except share and per share amounts)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)	September 30, 2008 (Unaudited)	September 30, 2007 (Unaudited)
Sales	\$ 10,429	\$ 7,197	\$ 31,839	\$ 20,502
Cost of sales	5,150	3,302	15,785	9,860
Gross profit	5,279	3,895	16,054	10,642
Expenses				
Operations	715	430	2,016	1,249
Sales, general and administrative	2,380	1,604	7,045	5,018
Research and development	338	240	979	745
	3,433	2,274	10,040	7,012
	1,846	1,621	6,014	3,630
Amortization of capital assets and intangibles	944	747	2,592	2,091
Stock based compensation	331	286	1,202	1,427
Loss on disposal of assets	-	-	3	1
Interest (income)	(48)	(131)	(232)	(350)
	1,227	902	3,565	3,169
Net income before income taxes	619	719	2,449	461
Income tax provision (Note 7)	(260)	(398)	(1,072)	(813)
Net income (loss)	359	321	1,377	(352)
Other comprehensive income (Note 2)	-	-	-	-
Comprehensive income (loss) (Note 2)	359	321	1,377	(352)
Deficit, beginning of period	(14,394)	(17,531)	(15,412)	(16,858)
Deficit, end of period	\$ (14,035)	\$ (17,210)	\$ (14,035)	\$ (17,210)
Net Income per common share – Basic and Diluted (Note 6)	0.00	0.00	0.01	0.00
Weighted average number of common shares – Basic	95,533,788	99,936,188	97,207,274	101,324,898
Weighted average number of common shares – Diluted	95,694,838	99,936,188	97,333,564	101,324,898

*See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash Provided by (used in)				
Operations				
Net income (loss)	\$ 359	\$ 321	\$ 1,377	\$ (352)
Items not affecting cash:				
Amortization	944	747	2,592	2,091
Loss on disposal of assets	-	-	3	1
Stock-based compensation	331	286	1,202	1,427
Income tax provision	260	398	1,072	813
Changes in non-cash operating working capital	(1,912)	(1,398)	2,681	3,883
	(18)	354	8,927	7,863
Financing				
Proceeds from shares issued	-	-	111	97
Repurchase of shares	(1,298)	(563)	(3,773)	(2,223)
Repayment of long-term debt	-	(1)	(1)	(2)
	(1,298)	(564)	(3,663)	(2,128)
Investing				
Acquisitions of capital assets	(1,237)	(1,054)	(3,665)	(3,014)
Earnout Petronet Systems Inc. Acquisition of J&J Oilfield, net of cash acquired (Note 13)	-	(314)	(28)	(579)
Acquisition of Universal Measurement Solutions Ltd., net of cash acquired (Note 13)	-	-	(4,085)	-
Proceeds on disposal of capital assets	-	-	7	4
Changes in non-cash working capital	(18)	-	118	-
	(1,255)	(1,368)	(9,061)	(3,589)
Increase (decrease) in cash and cash equivalents	(2,571)	(1,578)	(3,797)	2,146
Cash and cash equivalents, beginning of period	11,313	13,477	12,539	9,753
Cash and cash equivalents, end of period	\$ 8,742	\$ 11,899	\$ 8,742	\$ 11,899
Components of cash and cash equivalents				
Cash	2,531	509	2,531	509
Cash equivalents	6,211	11,390	6,211	11,390

*See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

For the nine months ended September 30, 2008 and 2007 (Unaudited)

1. Nature of operations:

Zedi Inc. (the "Company") is engaged in the development, production and sale of high technology products primarily for the energy sector. Activities are directed from the Company's head office in Calgary, Canada with additional sales and service offices in Edmonton and Grande Prairie, Canada.

The Company is a leading provider of innovative optimization technologies for the management of production operations in the energy sector. The Company's solutions focus on well site infrastructure (flow measurement, metering shacks, optimization, well bore manipulation, plunger lift control, booster compression) and the business information needs that link the field with head office and throughout the enterprise.

2. Changes in accounting policies:

(a) Financial Instruments and Hedging Activities

On January 1, 2008 the Company adopted CICA Handbook Sections 3862 – Financial instruments – disclosures, and 3863 – Financial instruments – presentation and has enhanced its disclosures about the significance of financial instruments for its financial position and performance as well as management's objectives, policies and processes for managing such risks.

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The additional disclosures have been included in Note 8.

For the nine months ended September 30, 2008 the Company did not recognize any items of other comprehensive income (loss) or accumulated other comprehensive income.

The Company's financial assets and financial liabilities are classified and measured as follows:

- Cash and cash equivalents are classified as held for trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Accounts payable, accrued liabilities and IERD loan payable are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

2. Changes in accounting policies, continued:

(b) Capital Disclosures

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook Section 1535, Capital Disclosures. This new Handbook Section establishes standards for disclosing information about an entity's capital and how it is managed. It requires the disclosure of information about an entity's capital and objectives, policies and processes for managing capital. The new disclosures are included in Note 10.

(c) Financial Statement Presentation

Effective January 1, 2008, the Company adopted the revised recommendations of the CICA Handbook Section 1400, General Standards of Financial Statement Presentation. Section 1400 was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Currently, the amended requirements have no impact on the financial statements or disclosures of the Company.

(d) Inventories

Effective January 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3031, Inventories, which replaces Section 3030. The new section is harmonized with International Accounting Standards and provides additional guidance on the measurement and disclosure requirements for inventories. The standard requires inventory to be measured at the lower of cost and net realizable value. Cost of inventories shall be composed of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amounts of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as and expense in the period in which the reversal occurs. The new disclosures are included in Note 11.

Future Accounting Changes

(a) Convergence with International Financial Reporting Standards

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008, the AcSB has confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards will replace Canada's current Generally Accepted Accounting Principles ("GAAP") for all publicly accountable profit-oriented enterprises. The Company is currently evaluating the impact of this changeover on its Consolidated Financial Statements.

2. Changes in accounting policies, continued:

(b) Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

3. Significant accounting policies:

(a) Basis of presentation

The consolidated financial statements have been prepared by management and include the accounts of the Company and the Company's wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

The financial statements have been prepared using the same accounting policies and methods of application as in the prior year, except for the adoption of new accounting requirements as described in Note 2.

3. Significant accounting policies, continued:

(b) Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those reported. Scientific research tax credits recoverable, amortization rates, stock-based compensation, acquisition earnout provision and the recoverable amounts for receivables, inventories, capital assets, intangible assets, deferred development costs, future income taxes, and goodwill are the more significant items subject to estimates in these consolidated financial statements.

(c) Cash and cash equivalents

The Company considers all balances with banks and highly liquid investments with original maturities of three months or less to be cash equivalents.

(d) Revenue recognition

Revenues from the Company's product lines are recognized as follows and when the ability to collect is reasonably assured. Revenue from the well-test product-line is recorded when the goods are shipped and services are rendered. Revenue from the sale of the Company's Smart-Alek[®] product-line is recorded for the unit when it is shipped and installation fees are recognized when the installation of the Smart-Alek unit is completed.

Revenue from monthly network service fees is recorded in the month in which the services are provided.

Revenue from the PetroNet fees are recorded in the month in which the services are provided and revenue for the Roughneck software product is recorded in two parts: the software license fee is recorded at the time the software module is delivered and the software maintenance fees are recorded in the month in which the services are provided.

(e) Foreign exchange

The cost of certain components in sales, cost of sales and the associated accounts payable and accounts receivable that are received in a foreign currency are translated into Canadian dollars at the time of the transactions. At each balance sheet date foreign denominated accounts payable and accounts receivable are revalued at the foreign exchange rate in effect at such date.

(f) Seasonality

The Company sells its products to the Oil and Gas Industry, primarily in Canada, which is subject to seasonal variations in activity. Traditionally, Canadian drilling activities increase during winter months and tend to slow during the spring, which may result in fluctuations in revenue throughout the year.

3. Significant accounting policies, continued:

(g) Future income tax assets and income taxes

The Company follows the asset and liability method for accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences). Changes in the net future tax asset or liability are included in the statement of operations.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of the substantive enactment date. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided for all or a portion of the future income tax assets.

The investment tax credits receivable are recoverable from the Government of Canada under the Scientific Research and Experimental Development ("SRED") Incentive Program as a reduction in income taxes otherwise payable. The amounts claimed under the program represent management's best estimate based on research and development costs incurred. Realization is subject to government approval. Any adjustment to the amounts claimed will be recognized in the year in which the adjustment occurs.

(h) Guarantees

Management of the Company believes there are no material guarantees that require disclosure.

(i) Research and development costs

The Company is engaged in research and development. Research costs are expensed as incurred. Development costs are expensed in the period incurred, unless they meet the criteria for deferral established by GAAP. Further, in accordance with GAAP, development costs are deferred only to the extent that their recovery can reasonably be regarded as assured. Management reviews the applicable criteria on a regular basis and if the criteria are no longer met, any remaining unamortized balance is written off as a charge to income. Research and development costs are reduced by any scientific research tax credits.

3. Significant accounting policies, continued:

(j) Stock-based compensation

The Company has the following stock-based compensation plans:

1. Stock option plan: The Company accounts for stock options using the fair-value based method. Under the fair-value based method, compensation expense for stock options is measured at fair value at the date of grant and is amortized over the stock option vesting period
2. Deferred share unit and restricted share unit plans for employees: The Company has deferred share unit plan ("DSU") and restricted share unit plan ("RSU") which allow for settlements in cash or shares at the corporation's option, and are accounted for using the market value of the underlying stock at the grant date. The Company's compensation expense is recognized on a straight-line basis over the vesting period. Adjustments to compensation expense for employment vesting requirements are accounted for in the period when they occur.
3. Deferred share unit and restricted share unit plans for executive: The Company has a DSU plan and a RSU plan which allow for settlements in cash or shares at the corporation's option, and are accounted for using the market value of the underlying stock at the grant date. The Company's compensation expense is recognized when the related executive services are rendered. Adjustments to compensation expense for employment vesting requirements are accounted for in the period when they occur.
4. Deferred share unit plan for non-employee directors: The Company has a DSU plan for non-employee directors which allows for settlements in cash or shares at the holder's option, and is accounted for as a liability award. The value of the liability is re-measured each period based on the current market value of the underlying stock at period end and any changes in the liability are recorded as compensation expense each period.

(k) Capital assets

Capital assets are recorded at acquisition cost less related investment tax credits, with amortization calculated using the following methods and annual rates:

Asset	Basis	Rate
Office furniture and fixtures	Declining balance	20%
Equipment	Declining balance	30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%
Automotive	Declining balance	10% - 30%
Leasehold Improvements	Straight-line	7 years

3. Significant accounting policies, continued:

(l) Deferred development costs

Deferred development costs incurred on new product development projects, which, in the Company's view, have clearly defined market prospects, are deferred and amortized on a straight-line basis over 5 years, commencing in the year that the development for the new products occurs. The timeframe over which the deferred expense is amortized is determined based on an historical life cycle of the company's primary product. The ability to recover the carrying value of deferred development costs is based on estimated future cash flow models, which by their nature, are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The net carrying amount of these costs are reviewed at least annually or when circumstances change to determine whether there has been impairment in value.

(m) Purchased intangible assets

Purchased intangible assets are recorded at cost and amortized on a straight-line basis over their expected useful lives. The net carrying amount of purchased intangible assets is reviewed at least annually or when circumstances change to determine whether there has been impairment in value. The review methodology is comprised of an assessment of the continuing contribution of the applicable product contribution to operations and an assessment of expected future cash flows. Intangibles acquired on the acquisition of WebTech 2000 Inc., D.G. Wehrhahn Company Ltd., Menex Technologies Inc., Roughneck.ca[®] Inc., PetroNet Systems Inc., J&J Oilfield Ltd., Little Princess Ventures Ltd. And Universal Measurement Solutions Ltd. are being amortized as follows:

Intangibles – Purchased software	(5 years)
Intangibles – Employment Contracts	(2 years)
Intangibles – Employment Contracts Menex and Roughneck	(3 years)
Intangibles – Employment Contracts J&J Oilfield Ltd.	(5 years)
Intangibles – Intellectual property Menex	(12 years)
Intangibles – Customer relationships Roughneck	(3 years)
Intangibles – Customer relationships PetroNet	(1 year)
Intangibles – Developed software and Patent Roughneck	(5 years)
Intangibles – Developed software PetroNet	(3 years)
Patents and Trademarks	(17 Years)

(n) Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible assets acquired. Goodwill is assessed for impairment at least annually or when circumstances change. The impairment is based on management's best estimate of the fair value of the reporting unit's goodwill compared with its carrying value.

(o) Earnings per Share

Basic earnings per share is determined by dividing the net income by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is calculated using the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments.

4. Share capital:

(a) Authorized and issued shares:

The Company is authorized to issue an unlimited number of common voting shares without nominal or par value. The following is a summary of the Company's issued and outstanding common shares:

	Nine Months Ended September 30, 2008		Year Ended December 31, 2007	
	Number	Amount	Number	Amount
<i>(In thousands, except share numbers)</i>				
Balance outstanding, beginning of period	<u>98,254,427</u>	<u>\$53,310</u>	<u>101,853,849</u>	<u>55,261</u>
Shares issued:				
Issued from treasury	-	-	1,000	1
Issued from Treasury pursuant to earnout provision of Petronet (note 4(c))	259,996	138	-	-
Stock options exercised (note 4(b))	265,345	190	232,678	162
Repurchased shares (note 4(d))	(4,421,600)	(2,423)	(3,833,100)	(2,114)
Balance outstanding, end of period	<u>94,358,168</u>	<u>\$51,215</u>	<u>98,254,427</u>	<u>\$53,310</u>

(b) Stock options exercised:

During the nine months ended September 30, 2008, 265,345 stock options were exercised for proceeds of \$189,927 (2007-232,678 stock options were exercised for proceeds of \$162,297).

(c) Petronet Systems Inc. earnout

On January 31, 2008 the Company paid out the remaining earnout of \$720,757 (\$367,336 from 2007 and \$353,421 from 2008) which was paid by cash of \$395,757 and 259,996 shares.

(d) Repurchase of shares

The Company completed a normal course issuer bid on May 17, 2008 and commenced a second normal course issuer bid on May 22, 2008, pursuant to which up to 4,875,559 common shares in the capital of the Company (5% of the issued and outstanding common shares at the time of commencement of the bid) can be repurchased by the Company and cancelled over a maximum one year period. In the nine months ending September 30, 2008 the Company acquired a total of 4,421,600 common shares for \$3,773,450 of which \$1,351,177 was recorded in contributed surplus and \$2,422,273 in share capital. As of September 30, 2008 the Company has acquired a total of 8,254,700 common shares for \$6,443,938 pursuant to the current and the prior normal course issuer bid, which have been cancelled. The Company allocates the cost of repurchasing these shares to share capital in the amount equal to its assigned value and any excess is recorded in contributed surplus.

4. Share capital, continued:

(e) Stock options outstanding:

On May 30, 2000, the Company established a stock option plan for directors, officers, employees and consultants, which permits the granting of options to purchase up to a maximum of 10% of the Company's issued and outstanding common shares. The number of options and exercise price thereof is set by the Board of Directors at the time of grant provided that such exercise price shall not be less than that from time to time permitted under the rules of any stock exchange or exchanges on which the Company's shares may be listed. The maximum number of options that may be granted to any one individual shall not exceed 5% of the Company's issued and outstanding common shares. The options granted under the plan may be exercisable for a period not exceeding five years and may vest at such times, as the Board of Directors may determine at the time of grant.

During the nine months ended September 30, 2008, a total of 548,619 options were granted.

The number of shares reserved for stock options is 10% of the total issued shares.

	September 30, 2008		December 31, 2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	8,932,186	\$ 1.20	10,222,763	\$ 1.33
Granted	548,619	0.71	1,469,739	0.62
Exercised	(265,345)	0.42	(232,678)	0.41
Expired/Cancelled	(1,306,962)	1.53	(2,527,638)	1.38
Outstanding, end of period	7,908,498	\$ 1.12	8,932,186	\$ 1.20
Options exercisable, end of period	2,948,703		3,705,209	

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.21-\$0.49	6,000	3.1 yrs	\$0.47	-	\$0.00
\$0.50-\$1.00	4,694,738	2.6 yrs	\$0.78	1,018,392	\$0.90
\$1.01-\$2.00	2,625,632	1.5 yrs	\$1.11	1,348,183	\$1.46
\$2.01-\$2.88	582,128	0.3 yrs	\$2.31	582,128	\$2.31
\$0.21- \$2.88	7,908,498	2.0 years	\$1.12	2,948,703	\$1.44

4. Share capital, continued:

(f) Stock options outstanding, continued:

The fair-value of each option grant by the Company was estimated on the date of grant using the Black-Scholes option-pricing model with weighted-average assumptions for grants assuming no dividends are paid on common shares. The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders.

	2008	2007
Risk free interest rate	3.16%	4.32%
Expected life in years	3.0	3.0
Expected Volatility	58%	51%
Weighted average fair value of options granted	\$0.29	\$0.22
Expected Dividend	-	-

(g) Deferred share unit plan for non-employee directors

The Company maintains a DSU plan to provide directors with the option to elect to receive DSUs in lieu of cash payment for all or a portion of their director fees. When such an election is made, the Company credits to the account of each director a number of DSUs equal to the amount of fees divided by the fair market value of the common shares. DSUs vest immediately and are equivalent in value to common shares. The directors' accounts shall be credited with dividend equivalents in the form of additional DSUs if and when the Company pays dividends on the common shares. Units are redeemable, in cash or Common shares only following termination of the director's services and must be redeemed by December 31 of the following year or in certain cases a shorter time period. During the year, the Company did not issue any DSUs (2006 - \$7,601) in director fee compensation. The Company has an obligation under the DSU plan at September 30, 2008 of \$5,701 (2007 - \$3,953).

(h) Deferred share unit and Restricted share unit plans for employees

On August 3, 2007 the Company adopted an employee DSU and RSU. The restricted share plan provides that RSUs may be granted to employees, officers, directors and consultants of the Company. An RSU is exercisable into one common share entitling the holder to acquire the common share for no additional consideration or to receive the equivalent amount in cash. Restricted share units vest over a period of up to three years. During the nine months ended September 30, 2008, the Company issued 141,586 (2007 - 34,400) RSUs.

5. Contributed Surplus:

<i>(In thousands)</i>	September 30, 2008	December 31, 2007
Balance, beginning of period		
	\$5,255	\$4,063
Stock-based compensation expense	1,095	1,832
Fair value of options exercised	(78)	(67)
Restricted Share Unit Plan	104	21
Repurchase of shares	(1,351)	(594)
Balance, end of the period	\$5,025	\$5,255

6. Reconciliation of earnings per share amounts:

The following table sets forth the reconciliation of basic and diluted earnings per share for the three and nine months ended September 30:

<i>(In thousands, except share numbers)</i>	Three Months		Nine Months	
	2008	2007	2008	2007
Net Income (loss)	\$ 359	\$ 321	\$ 1,377	\$ (352)
Weighted average number of common shares outstanding – basic	95,533,788	99,936,188	97,207,274	101,324,898
Net Shares assumed issued ⁽¹⁾	161,050	-	126,290	-
Weighted average number of common shares outstanding – diluted	95,694,838	99,936,188	97,333,564	101,324,898
Earnings per share:				
Basic	\$0.00	\$0.00	\$0.01	\$0.00
Diluted	\$0.00	\$0.00	\$0.01	\$0.00

(1) The net effect of shares assumed issued in the three and nine month periods of 2007 were anti-dilutive.

7. Income taxes:

Future Income Tax Assets

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. During the nine months ended September 30, 2008, the estimate of current tax expense is nil due to the availability of tax losses and SRED expenditure pools carrying forward. As the Company has expenses that are non-deductible for tax purposes, the provision for taxes is higher than the expense based on the expected tax rate of 29.5% (2007 – 32%).

8. Financial instruments:

The Company is exposed to a number of risks in the normal course of business that have the potential to affect its performance. The Company seeks to avoid unnecessary risk and initiates policies and processes to limit any significant risk as much as practical.

Fair values

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, IERD loan payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

Risk Disclosure

The main risks the Company's financial instruments are exposed to are foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents at a Canadian Schedule I bank with a nominal amount being covered by the Canada Deposit Insurance Corporation. The Company's accounts receivable are primarily from customers operating in the oil and natural gas industry in Alberta and are subject to the credit and political risks that would be considered normal in this industry. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary. The Company does not obtain collateral or other security to support accounts receivable. The maximum credit risk to which the Company is exposed is the carrying value of cash and equivalents and accounts receivable at the balance sheet date. At September 30, 2008 no customer represented a significant percentage of total accounts receivable.

8. Financial instruments, continued:

Financial assets past due

At September 30, 2008, the Company does not consider any of its financial assets to be impaired. The following table provides information regarding the ageing of financial assets that are past due but which are not impaired.

At September 30, 2008

Financial assets that are past due but not impaired

	Neither past due nor impaired	31 – 60 days	61 – 90 days	91 days+	Carrying value \$
Accounts Receivable	47%	16%	14%	23%	9,005

The definition of items that are past due is determined by reference to terms agreed with individual customers. None of the amounts outstanding have been challenged by the respective customer(s) and the Company continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that this balance is not fully collectable in the future.

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective company to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

The Company's policy requires customers to pay in accordance with agreed payment terms. Depending on the customer segment, our settlement terms are generally 15 to 30 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet.

Trade receivables have been aged according to their original due date in the above aging analysis.

Movement in the allowance for Doubtful Debts

In 000's	As at September 30	
	2008	2007
Opening Balance	\$270	\$270
Additional Provision	295	
Amounts used	(268)	
Closing Balance	\$297	\$270

The Company has used the following basis to assess the allowance loss for trade receivables:

- A statistical approach to determine the historical allowance rate for each debt tranche, and applying this allowance rate to the debt tranches at the end of the reporting period.
- An individual account by account assessment based on past credit history, and
- Any prior knowledge of debtor insolvency or other credit risk.

When receivables are assessed as uncollectible the impaired asset is derecognized.

8. Financial instruments, continued:

(b) Foreign exchange risk

The Company earns revenue and records accounts receivable and sales leases receivable in foreign currency and translates these amounts to Canadian dollars at the time of these transactions. The Company does not use derivative instruments to mitigate the effects of foreign exchange changes between the recording date of the accounts receivable or sales leases receivable and the receipt of cash. The accounts receivable are short-term in nature. The sales leases receivable are of a longer term and are subject to fluctuations in the exchange rate of the US dollar. The effect of the foreign exchange changes have not been significant and foreign exchange gains and losses are included in income as they occur.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company continuously monitors forecast and actual cash flows and actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

Liquidity risks associated with the Company's practice of growth through acquisition of complimentary businesses are managed by structuring portions of the purchase price to be determined by post acquisition results of the acquired business. Based on the achievement of performance targets over the next five years, the shareholders of J & J have an opportunity to earn an additional amount up to a maximum of \$2 million, payable in 25% cash and 75% Zedi shares, the ratio can change at the discretion of Zedi and the shareholders. The earnout performance targets have been set based on expected future growth from the performance level of J & J at the time of the acquisition.

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

The existing banking arrangements include an operating line of credit in the form of a revolving credit facility, with a total authorized amount of \$1,000,000.

(d) Interest rate risk

The Company is exposed to interest rate risk with regard to the cash and cash equivalents and the credit facilities when utilized. The Company's current policy is to invest available cash in excess of balances required to conduct day to day operations in short term investment certificates / money market funds. The investments earn interest at market rates. Fluctuations in market rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Sensitivity analysis

Based on historic movements and volatilities in the above market variables, and management's current assessment of the financial markets, the Company believes the following variations are reasonably possible over a 12 month period, net of income taxes using an estimated effective tax rate of 29.5%:

- Proportional foreign exchange rate variation of -10% (depreciation of Canadian dollar (CAD)) and +10% (appreciation of CAD) against the US dollar (USD), from a period-end rate of 1.0642

- Proportional variation of +1%/-1% in the prime interest rates.

8. Financial instruments, continued:

If these were to occur, the impact on consolidated net earnings and equity for each category of financial instruments held at the balance sheet date would be as follows:

Financial Assets	Carrying Amount 000's	Interest Rate Risk				Foreign exchange Rate Risk			
		-1%		+1%		-10%		+10%	
		Equity	Earnings	Equity	Earnings	Equity	Earnings	Equity	Earnings
Cash and Cash Equivalents ¹	8,742	(87)	(87)	87	87	(3)	(3)	12	12
Accounts Receivable ²	9,005	-	-	-	-	(8)	(8)	38	38
Financial Liabilities									
Accounts Payable ³	2,470	-	-	-	-	6	6	(29)	(29)
Accrued Liabilities	1,812	-	-	-	-	-	-	-	-
Deferred Revenue	4,651	-	-	-	-	-	-	-	-
Long Term Debt	59	-	-	-	-	-	-	-	-
Total Increase (decrease)		(87)	(87)	87	87	(5)	(5)	21	21

1 Cash and cash equivalents include deposits that bear interest at variable rates:

- Sensitivity to a +1% movement in interest rates = \$8,742 X 1% = \$87
- Similarly for a -1% movement in interest rates = \$8,742 X 1% = \$(87)
- Cash and cash equivalents include \$75 of USD denominated cash and cash equivalents. USD amount of foreign-denominated cash and cash equivalents as at September 30, 2008 = \$80/1.0642 = US\$75
- Sensitivity to a +10% variation in this foreign exchange = (US\$75 X 1.1642) - \$75 = \$12
- Similarly for a -10% variation in this foreign exchange = (US\$75 X 0.9642) - \$75 = (\$3)

2 Accounts receivable include \$230 of USD denominated receivables. USD amount of foreign -denominated debtors as at September 30, 2008 = \$245/1.0642 = US\$230

- Sensitivity to a +10% variation in this foreign exchange = (US\$230 X 1.1642) - \$230 = \$38
- Similarly for a -10% variation in this foreign exchange = (US\$230 X 0.9642) - \$230 = (\$8)

3 Accounts payable include \$179 of USD denominated payables. USD amount of foreign -denominated debtors as at September 30, 2008 = \$191/1.0642 = US\$179

- Sensitivity to a +10% variation in this foreign exchange = \$179 - (US\$179 X 1.1642) = (\$29)
- Similarly for a -10% variation in this foreign exchange = \$179 - (US\$179 X 0.9642) = \$6

(f) Items of income, expense, gains or losses

Interest income recognized primarily consists of interest earned on cash and cash equivalents and there were no net gains or net losses recognized in respect of these assets that are classified as held for trading. No interest income or expense has been recognized in regards to financial assets and liabilities measured at amortized cost. No net gains or losses were recognized on financial liabilities measured at amortized cost.

9. Credit Facilities

The Company has credit facilities of \$1,000,000 to cover the possibility of its cash needs during peak demand periods. The interest rate is at Royal Bank Prime plus 0.65%. Security consists of a general security agreement creating a security interest in all of the Company's personal property. The credit facility contains customary covenants covering working capital. Zedi is currently not using any of the credit facility available.

10. Capital Management

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing opportunities for growth through acquisitions of complementary businesses. The Company has no debt and does not expect to enter into debt financing.

The Company defines capital as the Company's shareholders' equity excluding contributed surplus. The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Company is not subject to any externally imposed capital requirements. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company does not have a policy of paying regular dividends to shareholders. This policy will be reviewed from time to time by the Board of Directors in the context of operational results, objectives for corporate growth, financial condition and other relevant factors.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity and monthly review of financial results.

(In Thousands)	September 30, 2008	December 31, 2007
Share Capital	\$51,215	\$53,310
Deficit	(14,035)	(15,412)
Total	\$37,180	\$37,898

11. Inventories

On January 1, 2008 the Company adopted the CICA Handbook Section 3031 – Inventories.

Management has reviewed the new guidelines for inventory, implemented on January 1, 2008 and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

The Company utilizes the FIFO method to value its inventory.

Management has reviewed the Company policies regarding the measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory. The Company's Inventories of raw materials and consumable supplies are valued at the lower of cost and net realizable value. Inventories of work-in-progress and finished goods are valued at the lower of cost and net realizable value.

Zedi currently reclasses overheads and labour from various departments to cost of sales on a monthly basis. Zedi does not have sufficient information to allocate labour and overheads to individual items at this time. It is our intention to develop the necessary systems before the end of 2008 so that direct labour and overheads can be applied to individual inventory items beginning January 2009 in a manner consistent with section 3031 of the CICA handbook.

Management has reviewed inventory and determined that no major spares or standby equipment is contained in inventory therefore no reclassification to Property, Plant and Equipment is required.

(In Thousands)	September 30, 2008	December 31, 2007
Raw Materials	\$2,419	\$2,071
Work in Progress	631	188
Finished Goods	3,597	4,221
	\$6,647	\$6,480

During the nine months ended September 30, 2008 there were no inventory write-downs and no reversals of any previous writedowns. Finished Goods inventories are pledged as collateral for the company's credit facility.

12. Segmented Information

The Company determines its reportable segments based on the structure of its operations, which are focused in two principal business segments – productions operations management and well operations management. The focus of these segments are as follows:

- Productions operations management segment delivers systems and services that help oil and gas producers to efficiently manage people, assets and information. These services give operations insight right to the well using hardware, web-based applications and professional services. On their own or in combination, these products are the basis for Zedi's end-to-end solutions that address all aspects of production operations and the operations of Universal Measurement Solutions Ltd.
- Well operations management segment provides 3rd party well operations management to over 400 wells in NE B.C. and NW Alberta, with the primary services including contract well operations, inspection and supervision.

The accounting policies followed by these business segments are the same as those described in summary of significant accounting policies.

12. Segmented Information, continued:

The following information is selected financial information for the production operations management and well operations management for the three and nine months ended September 30, 2008.

For the three months ended September 30, 2008	Production management operations	Well operations management	Adjustments and eliminations	Total
In 000's				
Revenue	\$8,716	\$2,163	\$(450)	\$10,429
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes	2,050	(204)		1,846
Income (loss) before income taxes	838	(219)		619
Net income(loss)	516	(157)		359
Total Assets	50,652	2,353	(1,808)	51,197
Capital Expenditures	1,228	9		1,237

As at and for the nine months ended September 30, 2008	Production management operations	Well operations management	Adjustments and eliminations	Total
In 000's				
Revenue	\$26,492	\$6,697	\$(1,350)	\$31,839
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes	6,238	(224)		6,014
Income (loss) before income taxes	2,712	(263)		2,449
Net income(loss)	1,575	(198)		1,377
Total Assets	50,652	2,353	(1,808)	51,197
Capital Expenditures	3,607	58		3,665

J&J Oilfield Operations, the well operations management segment, was purchased effective January 1, 2008 therefore production operations management was the single reportable segment in the prior year.

13. Acquisitions

(a) Acquisition of Universal Measurement Solutions Ltd.

On May 6, 2008, the Company completed the acquisition of all issued and outstanding shares of Universal Measurement Solutions Ltd. (UMS) by the wholly owned subsidiary, Zedi Canada Inc. effective May 1, 2008, paid for in cash. UMS is a private corporation based in Calgary, Alberta providing measurement and control services to the oil and gas industry. The operations of UMS are included in these consolidated statements from May 1, 2008 through September 30, 2008.

The fair value of the net assets acquired were:

<i>Net assets acquired:</i>	\$
Working capital	520,654
Property, plant and equipment	187,156
Future income tax liability	(121,942)
Intangibles	391,748
Goodwill	541,610
	<u>1,519,226</u>
<i>Financed by:</i>	\$
Cash	999,226
Settlement of UMS debenture payable	520,000
Total purchase consideration	<u>1,519,226</u>

(b) Acquisition of J&J Oilfield Ltd.

On January 8, 2008 the Company completed the acquisition of all issued and outstanding shares of J & J Oilfield Ltd. ("J & J") by the wholly owned subsidiary, Zedi Canada Inc. effective January 1, 2008. The purchase price is comprised of an upfront payment and an earnout to a maximum aggregate payout of \$5 million. The amount of the upfront payment at closing was \$2.9 million, which was paid in cash. Based on the achievement of performance targets over the next five years, the shareholders of J & J have an opportunity to earn an additional amount up to a maximum of \$2 million, payable in cash and/or Zedi shares. The earnout performance targets have been set based on expected future growth from the performance level of J & J at the time of the acquisition. On an annual basis, following each fiscal year, a calculation will be completed based on a normalized EBITDA (Earnings Before Income Taxes Depreciation and Amortization) for the J & J operations and the growth over the prior year's performance. The maximum earnout will be achieved when EBITDA growth averages about 15% per year over the five year period.

The fair value of the net assets acquired were:

<i>Net assets acquired:</i>	\$
Working capital	1,663,593
Property, plant and equipment	134,940
Future income tax liability	(46,250)
Intangibles	195,000
Goodwill	2,644,492
	<u>4,591,775</u>
<i>Financed by:</i>	\$
Cash	4,591,775
Total purchase consideration	<u>4,591,775</u>

14. Subsequent Events

On October 31, 2008, Zedi Inc. acquired all issued and outstanding shares of OAS Oilfield Accounting Service Ltd. (OAS) for a consideration of \$6,235,000, which will be paid in cash.

On November 13, 2008 the Board of Directors authorized the granting of up to 2,260,000 stock options and 847,500 Restricted Stock Units to employees, officers and directors of the Company.