

## Consolidated Financial Statements

For the three and nine months ended September 30, 2009 and 2008

### Corporate Governance

The corporation's corporate governance policies are intended to ensure the Board is able to effectively supervise management and the strategic direction of the corporation to enhance shareholder value. As a Canadian reporting issuer with securities listed on the TSX Venture Exchange, our corporate governance practices meet, and in some cases exceed, applicable rules adopted by the Canadian Securities Administrators for venture issuers. We continue to monitor regulatory changes and best practices in corporate governance and will consider amendments to our practices as appropriate.

The Board has an active governance committee, tasked with monitoring and making recommendations to the Board on governance issues to improve corporate performance and Board effectiveness. In addition to regular quarterly and special meetings of the Board of Directors, directors are involved in the management's quarterly strategic planning and assessment meetings. Some directors are included in specific marketing or product planning discussions, where their expertise enables them to assess corporate direction.

To assist with its governance oversight, the Board receives monthly reports that provide an overview of the sales and financial performance of the corporation as well as forecasts and projections.

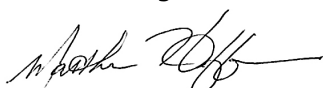
### Management's Report

Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Company's Board of Directors has approved the information contained in the financial statements. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the financial statements for publication. The Audit Committee is composed entirely of Directors who are neither management nor employees of the Company.

External auditors have full and free access to, and meet periodically and separately with, both management and the Audit Committee to discuss their findings.



**Matthew Heffernan**  
President and Chief Executive Officer



**Robert Gordon**  
Chief Financial Officer

**November 12, 2009**

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For the three and nine months ended September 30, 2009 and 2008

### Consolidated Balance Sheets

<i>(Unaudited)</i> <i>(In thousands)</i>	As at September 30, 2009	As at December 31, 2008 <i>(Note 5)</i>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,585	\$ 15
Accounts receivable	8,311	12,133
Inventories (Note 4)	8,990	7,903
Prepaid expenses and deposits	206	321
Future income tax assets (Note 9)	335	471
	19,427	20,843
Capital assets	2,607	2,386
Intangible assets (Note 5)	8,807	8,761
Goodwill	18,693	18,664
Future income tax assets (Note 9)	1,769	1,926
	\$ 51,303	\$ 52,580
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,584	\$ 3,131
Accrued liabilities	1,391	3,106
Deferred revenue	5,135	4,079
	8,110	10,316
<b>Shareholders' equity:</b>		
Share capital (Note 6)	50,977	50,960
Contributed surplus (Note 7)	6,105	5,267
Deficit (Note 5)	(13,889)	(13,963)
	43,193	42,264
	\$ 51,303	\$ 52,580

\*See accompanying notes to unaudited consolidated financial statements.

Approved on behalf of the Board:



**Pierre B. Lebel**, Director



**Douglas G. Marlin**, Director

## Consolidated Statements of Operations, Comprehensive Income and Deficit

(Unaudited) <i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008 (Note 5)	September 30, 2009	September 30, 2008 (Note 5)
<b>Sales</b>	\$ 11,197	\$ 10,429	\$ 33,064	\$ 31,839
Cost of sales	5,288	5,150	15,754	15,785
Gross profit	5,909	5,279	17,310	16,054
<b>Expenses</b>				
Operations	654	715	1,936	2,016
Sales, general and administrative	2,489	2,380	9,048	7,045
Research and development	815	705	2,351	1,757
	3,958	3,800	13,335	10,818
	1,951	1,479	3,975	5,236
Amortization of capital assets and intangibles	842	788	2,455	2,151
Stock based compensation	251	331	855	1,202
Loss on disposal of assets	-	-	-	3
Interest expense (income)	32	(48)	129	(232)
	1,125	1,071	3,439	3,124
Net income before income taxes	826	408	536	2,112
Income tax provision (Note 9)	(362)	(202)	(462)	(951)
Net and comprehensive income	464	206	74	1,161
Deficit, beginning of period	(14,353)	(14,234)	(13,963)	(14,852)
Adjustment for change in accounting policy (Note 5)		(676)		(1,013)
Deficit, beginning of period adjusted	(14,353)	(14,910)	(13,963)	(15,865)
Deficit, end of period	<b>\$ (13,889)</b>	<b>\$ (14,704)</b>	<b>\$ (13,889)</b>	<b>\$ (14,704)</b>
Net income per common share – Basic and Diluted (Note 8)	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
Weighted average number of common shares – Basic	93,902,085	95,533,788	93,899,297	97,207,274
Weighted average number of common shares – Diluted	93,902,085	95,694,838	93,902,550	97,333,564

\*See accompanying notes to unaudited consolidated financial statements.

## Consolidated Statements of Cash Flows

<i>(Unaudited)</i> <i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008 <i>(Note 5)</i>	September 30, 2009	September 30, 2008 <i>(Note 5)</i>
<b>Cash Provided by (used in)</b>				
<b>Operations</b>				
Net income	\$ 464	\$ 206	\$ 74	\$ 1,161
Items not affecting cash:				
Amortization	842	788	2,455	2,151
Loss on disposal of assets	-	-	-	3
Stock-based compensation	251	331	855	1,202
Future income tax provision	362	202	462	951
Changes in non-cash operating working capital	(1,372)	(1,545)	733	3,458
	547	(18)	4,579	8,926
<b>Financing</b>				
Proceeds from shares issued	-	-	-	111
Repurchase of shares	-	(1,298)	-	(3,773)
	-	(1,298)	-	(3,662)
<b>Investing</b>				
Acquisition of capital assets	(445)	(569)	(1,053)	(1,347)
Internally-generated intangible assets	(451)	(668)	(1,975)	(2,318)
Earnout Petronet Systems Inc.	-	-	-	(28)
Acquisition of J&J Oilfield, net of cash acquired	-	-	-	(4,085)
Acquisition of Universal Measurement Solutions Ltd., net of cash acquired	-	-	-	(1,408)
Proceeds on disposal of capital assets	-	-	19	7
Changes in non-cash working capital	-	(18)	-	118
	(896)	(1,255)	(3,009)	(9,061)
Increase (decrease) in cash and cash equivalents	(349)	(2,571)	1,570	(3,797)
Cash and cash equivalents, beginning of period	1,934	11,313	15	12,539
Cash and cash equivalents, end of period	<b>\$ 1,585</b>	<b>\$ 8,742</b>	<b>\$ 1,585</b>	<b>\$ 8,742</b>
<b>Components of cash and cash equivalents</b>				
Cash	\$ 1,561	\$ 2,531	\$ 1,561	\$ 2,531
Cash equivalents	24	6,211	24	6,211

\*See accompanying notes to unaudited consolidated financial statements.

## **Notes To Consolidated Financial Statements For the three and nine months ended September 30, 2009 and 2008**

*(Unaudited - in thousands, except share and per share amounts)*

### **1. Nature of operations:**

Zedi Inc. (Zedi, or the Company) is engaged in the development, production and sale of technology products and services designed 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, Grande Prairie and Fort St. John, Canada.

The Company is a leading provider of innovative optimization technologies for the management of production operations in the energy sector. Zedi offers a comprehensive solution beginning with well site infrastructure (chart reading services, flow measurement, metering shacks, optimization, well bore manipulation, plunger lift control, booster compression), with automatic data flow into Field Data Capture and Production Accounting and continuing through to the human resources that can physically operate and manage production in the field.

### **2. Changes in accounting policies:**

#### *Goodwill and intangible assets*

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and intangible assets. It revises standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The application of the new Standards had no significant impact on goodwill or purchased intangible assets. It did, however, impact the amounts capitalized for internally-generated intangibles and related amortization previously recorded by the Company, with a corresponding increase in development expenses, as detailed in Note 5.

### **3. Significant accounting policies:**

#### *Basis of presentation*

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

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principle ("GAAP") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008. The accounting policies followed by the Company are detailed in the notes to the annual audited consolidated financial statements and these unaudited consolidated 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. Interim periods may not be representative of results for a full year of operation due to seasonality inherent within certain of the Company's revenue streams, stemming from the varying activity levels within customers' operating and related purchasing activities throughout the year. The patterns of variation differ by geography but for the majority of the existing customer base these activity levels tend to peak during the winter months and reach their lowest points during spring break-up periods.

#### 4. Inventories:

	September 30, 2009	December 31, 2008
Raw materials and consumable supplies	\$ 2,502	\$ 3,189
Finished goods	6,268	4,448
Work In Progress	220	266
	<u>\$ 8,990</u>	<u>\$ 7,903</u>

During the three and nine months ended September 30, 2009, the value of sold inventory expensed within cost of sales was \$1,140 and \$3,104, respectively.

During the three and nine months ended September 30, 2009 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.

#### 5. Intangible assets:

	September 30, 2009	December 31, 2008
Acquired intangibles, net of accumulated amortization	\$ 4,154	\$ 5,025
Internally-generated intangibles		
As originally recorded on December 31, 2007	-	3,715
Adjustment for change in accounting policy	-	(1,357)
Adjusted opening balance	3,736	2,358
Development costs capitalized in period	1,975	3,194
Less Scientific Research and Development Credits recognized	(276)	(318)
Less amortization in period	<u>(782)</u>	<u>(1,498)</u>
Ending balance, net of accumulated amortization	4,653	3,736
Net Intangible Assets	<u>\$ 8,807</u>	<u>\$ 8,761</u>

Effective January 1, 2009, the Company adopted a new accounting policy for intangible assets. This new policy had no immediate effect on goodwill or intangible assets arising through prior acquisitions. However, under the new policy, additional criteria have been applied, on a retroactive basis, to determine whether costs associated with internal development of new products should be capitalized or expensed in the period incurred. The application of the new criteria resulted in a reduction to opening intangible assets as at January 1, 2008 of \$1,357, representing the cumulative effect of the change for the fiscal years ending on December 31, 2005 through 2007. The Company only capitalizes costs for projects that result in separately identifiable products or identifiable components thereof, so that additional costs on internally-developed software beyond its initial release are expensed.

## 5. Intangible assets (continued):

As a result of adopting the new accounting policy, development costs expensed, amortization of intangibles, future tax provision, resulting net income and the opening balance of future income tax assets were affected as follows:

	For the three months ended September 30, 2008	For the nine months ended September 30, 2008	For the year ended December 31, 2008
Increase in development costs expensed	\$ 366	\$ 777	\$ 1,085
Decrease in amortization of intangibles	155	440	608
Decrease in future tax provision	58	121	154
Decrease in net income	153	216	323
Increase in opening balance of future income tax asset related to prior periods	-	-	344

## 6. 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, 2009		Year Ended December 31, 2008	
	Number	Amount	Number	Amount
Balance outstanding, beginning of period	94,358,168	\$50,960	98,254,427	\$53,310
Shares issued:				
Issued from Treasury pursuant to earnout provision of Petronet	-	-	259,996	138
Stock options exercised (Note 6(b))	-	-	265,345	190
Shares issued on exercise of RSU (Note 6(f))	26,083	17	-	-
Repurchased shares, net of treasury stock (Note 6(c))	(468,600)	-	(4,421,600)	(2,678)
Balance outstanding, end of period	93,915,651	\$50,977	94,358,168	\$50,960

### (b) Stock options exercised:

During the three and nine months ended September 30, 2009, no stock options were exercised (2008-265,345 stock options were exercised for cash proceeds of \$112 plus a total of \$78 fair value amount transferred from contributed surplus).

## 6. Share capital, continued:

### *(c) 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. For the year ended December 31, 2008 the Company acquired a total of 4,890,200 common shares for \$4,101 of which \$1,423 was recorded in contributed surplus and \$2,678 in share capital. As of December 31, 2008 the Company has acquired a total of 8,723,300 common shares for \$6,809 pursuant to the current and the prior normal course issuer bid, all but 468,600 of which were cancelled and returned to treasury as of December 31, 2008. The latter remaining shares were cancelled as of March 31, 2009. 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.

### *(d) 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. Generally, stock options vest over a three year period.

During the nine months ended September 30, 2009, a total of 39,576 options were granted.

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

	September 30, 2009		December 31, 2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	7,810,496	\$ 0.94	8,932,186	\$ 1.20
Granted	39,576	0.60	2,792,583	0.62
Exercised	-	-	(265,345)	0.42
Expired	(251,180)	2.04	(3,021,854)	1.45
Forfeited	(869,552)	0.68	(627,074)	1.06
Outstanding, end of period	6,729,340	\$ 0.84	7,810,496	\$ 0.94
Options exercisable, end of period	2,722,921		3,114,802	

## 6. Share capital, continued:

Exercise Price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.50-1.00	5,465,780	1.4 yrs	0.69	1,473,972	0.78
1.01-2.00	1,263,560	0.1 yrs	1.46	1,248,949	1.46
\$0.50- \$2.00	6,729,340	1.1 yrs	\$0.84	2,722,921	\$1.09

### (e) Stock options outstanding:

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.

	2009	2008
Risk free interest rate	1.83%	3.03%
Expected life in years	3.0	3.0
Expected Volatility	63%	58%
Weighted average fair value of options granted	\$0.26	\$0.29
Expected Dividend	-	-

### (f) Deferred share unit (DSU) and Restricted share unit (RSU) plans for employees

On August 3, 2007 the Company adopted employee DSU and RSU plans. 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, at the discretion of the Company. Restricted share units vest over a period of up to three years. During the three and nine months ended September 30, 2009, the Company granted nil and 14,841 (2008 - 91,615 and 99,640) RSUs respectively with a weighted average fair value of \$0.60 (2008 - \$0.62). During the three months ended September 30, 2009, 26,083 shares were issued for RSUs that vested in the period.

## 7. Contributed Surplus:

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$5,267	\$5,255
Stock options compensation expense	569	1,327
Options/RSU exercised	(16)	(78)
Restricted Share Unit Plan expense	285	186
Repurchase of shares	-	(1,423)
Balance, end of the period	\$6,105	\$5,267

## 8. Reconciliation of earnings per share amounts:

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

	Three Months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net income	\$ 464	\$ 206	\$ 74	\$ 1,161
Weighted average number of common shares outstanding – basic	93,902,085	95,533,788	93,899,297	97,207,274
Net shares assumed issued	-	161,050	3,253	126,290
Weighted average number of common shares outstanding – diluted	93,902,085	95,694,838	93,902,550	97,333,564
Net (loss) income per share:				
Basic	\$0.00	\$0.00	\$0.00	\$0.01
Diluted	\$0.00	\$0.00	\$0.00	\$0.01

The number of potentially dilutive securities excluded as being anti-dilutive for purposes of calculating diluted earnings per share for the three and nine months ended September 30, 2009 was 8,421,386 (2008 – 8,564,264).

## **9. 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 three and nine months ended September 30, 2009, the estimate of current tax expense is nil (2008-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 29.0% (2008 - 29.5%).

## **10. 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, bank indebtedness, accounts 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 credit risk, foreign exchange risk, liquidity risk and interest rate risk. Full discussion of these risks is contained in the notes to the annual audited financial statements and there has been no significant change in the Company's assessment of these risks as of the date of these interim unaudited financial statements.

## **11. Credit Facilities and Capital Management**

There has been no change in the credit facilities available to the Company, as described in the annual audited financial statements for the year ended December 31, 2008, and the Company continues to follow the same capital management policies as in the prior year.

## **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 field operations management. The focus of these segments are as follows:

- The productions operations management segment delivers systems and services that help oil and gas producers to efficiently manage people, assets and information 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.
- The field operations management segment provides 3rd party well operations management to wells in northeastern British Columbia and northwestern 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.

The following information is selected financial information for the production operations management and field operations management segments for the three and nine months ended September 30, 2009:

## 12. Segmented Information (continued):

For the nine months ended September 30,	2009			2008 (Note 5)		
	Production operations management	Field operations management	Total	Production operations management	Field operations management	Total
Revenue	\$23,105	\$9,959	\$33,064	\$25,142	\$6,697	\$31,839
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes*	4,115	(140)	3,975	5,460	(224)	5,236
Amortization of capital assets and intangibles	2,413	42	2,455	2,112	39	2,151
Stock based compensation	855	-	855	1,202	-	1,202
Loss on disposal of assets	-	-	-	3	-	3
Interest expense (income)	125	4	129	(232)	-	(232)
Income (loss) before income taxes	722	(186)	536	2,375	(263)	2,112
Net and comprehensive income (loss)	222	(148)	74	1,359	(198)	1,161
Total assets	50,749	554	51,303	48,844	2,353	51,197
Goodwill added in period	4	25	29	542	2,811	3,353
Total goodwill	15,707	2,986	18,693	11,682	2,811	14,493
Capital expenditures	2,984	44	3,028	3,607	58	3,665

## 12. Segmented Information (continued):

For the three months ended September 30,	2009			2008 (Note 5)		
	Production operations management	Field operations management	Total	Production operations management	Field operations management	Total
Revenue	\$7,693	\$3,504	\$11,197	\$8,266	\$2,163	\$10,429
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes*	1,976	(25)	1,951	1,683	(204)	1,479
Amortization of capital assets and intangibles	828	14	842	774	14	788
Stock based compensation	251	-	251	331	-	331
Loss on disposal of assets	-	-	-	-	-	-
Interest expense (income)	31	1	32	(48)	-	(48)
Income (loss) before income taxes	866	(40)	826	627	(219)	408
Net and comprehensive income (loss)	504	(40)	464	363	(157)	206
Total assets	50,749	554	51,303	48,844	2,353	51,197
Goodwill added in period	4	-	4	-	-	-
Total goodwill	15,707	2,986	18,693	11,682	2,811	14,493
Capital expenditures	893	3	896	1,228	9	1,237

\* This measure is a key performance indicator as defined by management. This measure may not be comparable to similar measures used by other issuers.