



Third Quarter 2008 Management's Discussion and Analysis

November 13, 2008

The following Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the three months ended September 30, 2008 and 2007, and should be read in conjunction with the unaudited consolidated financial statements as at and for the nine months ended September 30, 2008 and should also be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2007.

The annual consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company reports on certain non-GAAP measures that are used by management to evaluate performance of the business. Because non-GAAP measures do not have a standardized meaning, securities regulators require that non-GAAP measures be clearly defined and qualified, reconciled to their nearest GAAP measure and be given no more prominence than the closest GAAP measure. For the reader's reference, the definition, calculation and reconciliation of non-GAAP measures is provided in section 12: Reconciliation of Non-GAAP Measures.

Additional information is available on the Company's website (www.zedi.ca) and all previous public filings, including the annual information form (AIF), are available through SEDAR (www.sedar.com).

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon.

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1 Business Overview

Zedi Inc. (the “Company” or “Zedi”) specializes in production operations management, delivering systems and services that help oil and gas producers to better manage people, assets and information. Zedi helps customers decrease operating costs and increase earnings, through improved utilization of human and corporate assets. In addition, Zedi solutions and services help customers mitigate compliance risk.

Established in 1987, Zedi™ has over 300 upstream, midstream and oilfield services customers who are primarily located in Western Canada. Zedi monitors over 10,000 sites and manages approximately 200,000 assets with its solutions that are delivered through four lines of business:

- *Zedi Surveillance™* – the business of monitoring, collecting, and digitizing high quality data at the source.
- *Zedi Optimization™* – the business of analyzing the data collected and taking action to impact operations in order to improve hydrocarbon production.
- *Zedi Production Applications™* – the business of web-based, on demand, applications purpose built for the oil and gas industry that manage production, data, assets and revenue.
- *Zedi Field Operations™* – the business of providing trained field personnel to operate and manage oil and gas field operations.

2 Corporate Vision and Strategy

The Zedi vision is to be a global leader in the management of decentralized production operations and the company will accomplish this through five strategic imperatives. They are:

- *People – Zedi will partner with its employees to promote their personal development, growth and success and together the company and the employees will share in the benefits of corporate success.*
- *Customers – With a primary view toward improving customer earnings, Zedi will structure all of its customer interactions to deliver a personal experience that positively addresses customer needs, enabling them to achieve greater success.*
- *Data – Zedi will deliver and further develop products and services that add to the quality and quantity of well and field operation data and increase its value by transforming it to information.*
- *Open Interface – Zedi will leverage the high data value through developing the FINE[®] system, Zedi's intelligent network, to be vendor neutral, seeking to be an industry standard and enabling broad surveillance inputs and application extractions through an open interface.*
- *Execution – Zedi will balance near term returns with long term wealth by focusing on market sectors that it can dominate and by making pragmatic decisions that maximize shareholder return.*

3 Key Performance Indicators

Zedi monitors a number of key performance indicators including those set out below (see *selected quarterly information table for past eight quarters in section 5*). In addition, Zedi tracks a number of customer specific indicators:

- *RECURRING REVENUE AS A PERCENTAGE OF OPERATIONS AND SG&A*

Growth of this indicator ensures that the decisions and actions taken by Zedi are supporting a strategy of building a significant foundation of recurring revenue in relation to the size of the operations. This also serves to measure the success in structuring the operations on a scalable basis.

- *RECURRING REVENUE AS A PERCENTAGE OF TOTAL CASH EXPENDITURES*

This indicator combines the investment in R&D and capital assets with the operating expenses to monitor the scalability of the business model with operating and investing activities combined.

- *TOTAL REVENUE*

This measure is an overall indication of the success and progress toward achieving a dominant position in the marketplace.

- *PERCENT GROSS MARGIN*

This serves to measure the success in developing and delivering products and services efficiently and on a scalable basis.

- *INCOME PER SHARE*

As a primary measure of return to shareholders, this measure also ensures the acquisitions made by Zedi are accretive to shareholders.

4 Overall Performance

4.1 Materiality for Disclosure

Management determines whether or not information is “material” based on whether it believes a reasonable investor’s decision to buy, sell or hold securities in the Company would be significantly influenced by the information.

4.2 Events or Activities Impacting the Business in the Third Quarter of 2008

Activities that took place during Q3 2008 that will have both short and long term impacts include:

- Zedi Inc. signed a letter of intent on September 24th, to acquire all issued and outstanding shares of OAS Oilfield Operations Accounting Services Ltd. (OAS) by the wholly owned subsidiary, Zedi Canada Inc. OAS is a Calgary based private corporation providing chart reading and integration services to the oil and gas industry. As a result of this acquisition Zedi will increase the total number of wells monitored by Zedi to approximately 36,000, of which 11,000 are monitored electronically and 25,000 that are measured with charts.
- Zedi Inc. experienced significant market uptake with the customers implementing Zedi Vital™ that was launched on May 11th. Zedi Vital™ is an advanced field data capture system that gives customers an accurate view of their production versus budget numbers. Zedi Vital™ is used widely throughout an oil and gas producer’s operation- from the field operator to the production accountant to the management team.
- Repurchasing of shares continued under the current Normal Course Issuer Bid, pursuant to which the company repurchased 3,153,600 common shares to the end of the third quarter, for a year to date total of 4,421,600 common shares repurchased. Outstanding common shares as at September 30, 2008 stood at 94,358,168.

4.3 Impact of Stock-Based Compensation on Reported Results

Throughout this MD&A the Company will at times describe or discuss results with Stock-based compensation not included. The following information will provide readers of our financial statements with an opportunity to fully understand the impact of stock-based compensation on results and to provide context for the Company’s discussion of results with stock-based compensation excluded.

The Company currently has three forms of stock-based compensation: stock options, deferred share units and restricted share units.

Stock Options

The shareholders of the Company approve the stock option plan each year at the AGM. The current plan authorizes the Board of Directors of the Company to grant options numbering up to 10% of the number of issued and outstanding shares, which structure has remained unchanged since the Company’s initial public offering. As an important part of the Company’s compensation strategy options are granted annually to all employees to recruit and retain the best talent. All options are granted at market price on the date of grant, vest in thirds on the first three anniversaries from the date of grant and expire in thirds on the second third and fourth anniversaries. This results in a rolling

plan with options expiring each year and new ones being granted at market prices at that time.

A summary of the status of the plan is presented below:

	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

Deferred Share Units

A deferred share unit ("DSU") is compensation paid in the form of a right to a share that is not received until the occurrence of a future event.

Restricted Share Units

A restricted share unit is compensation paid in the form of a right to a share that is not received until a later date.

Stock-based Compensation Expense

The total of the stock-based compensation expense for the third quarter ended September 30, 2008 was \$331,000, which is broken down in the table below.

The portion of the expense related to stock options is calculated using the Black-Scholes option pricing model at the time the options are granted. The model incorporates an historical volatility analysis to determine valuation. Historical volatility may or may not be a reliable indication of future volatility. Although the expense is calculated at the time options are granted, it is reported over the vesting period for the options. The Company's standard vesting period is three years in which case the expense will be reported proportionately in each of the next 12 quarters from the date of grant.

The following table shows the breakdown of the stock-based compensation expense reported in the second quarter ended September 30, 2008.

Annual Option Grant Date	Number of options outstanding as at September 30, 2008	Exercise Price	Expensed in Q3 2008	Remaining to be expensed in future periods.
January 6, 2005	561,793	\$2.30	\$ -	\$ -
November 1, 2005 ¹	2,243,790	\$1.46	176,890	69,243
December 13, 2006	2,877,940	\$0.91	86,912	468,816
November 13, 2007	1,253,646	\$0.53	20,411	196,455
Various dates ²	971,329	\$1.46 ³	14,556	176,040
Option Totals	7,908,498		\$298,769	\$ 910,554
DSU Grant Date	Number of DSUs as at September 30, 2008	Price	Expensed in Q3 2008	Remaining to be expensed in future periods.
June 30, 2006	2,143	\$0.48	\$ (514)	-
September 29, 2006	3,879	\$0.48	(931)	-
December 31, 2006	1,579	\$0.48	(379)	-
September 25, 2006	250,000	\$1.16	-	-
DSU Totals	257,601		\$ (1,824)	-
RSU Grant Date	Number of RSUs as at September 30, 2008	Price	Expensed in Q3 2008	Remaining to be expensed in future periods.
September 25, 2006	400,000	\$1.16	\$ -	\$ -
August 2, 2007	19,220	0.63	1,523	5,069
August 31, 2007	9,657	0.60	729	2,655
October 31, 2007	2,250	0.47	133	573
November 13, 2007	470,120	0.53	27,410	139,409
Various dates ²	118,160	\$0.72 ³	3,424	21,868
RSU Totals	1,019,407		\$ 33,219	\$ 169,574
All stock-based comp. totals			\$330,164	\$ 1,080,128

¹The timing of the annual grant was shifted from the beginning of the year to the fall board meeting to align with annual compensation program reviews.
²There are some options granted in between the annual grants related to new hires during the year or staff added through acquisitions.
³This is the weighted average exercise price.

Discussion of Performance Results Excluding the Stock-based Compensation Expense

Significant historical share price volatility has impacted the valuation of stock options for the purpose of recording of a stock-based compensation expense. A number of options that have already been expensed have in fact expired without being exercised and a large number of options that were expensed in 2008 remain significantly out of the money. The expensed options do not impact cash flow or the operations of the Company. From the table above the reader can assess the specific options that the expense relates to, with approximately 84% of the expense being for options that are significantly out of the money and some of which having already expired. Therefore, the Company will at times discuss the performance of the Company with this expense excluded (a reconciliation to the nearest GAAP measure is provided in section 13).

The cost of Stock-based compensation is primarily associated with its dilutive effect on share value and therefore the Company believes that "earnings per share fully diluted" is a reliable method of measuring value with the impact of stock-based compensation taken into account. Where the Company discusses a result with stock-based compensation not included it also discusses the result including stock-based compensation so that the reader can accurately assess the performance of the Company.

4.4 Consolidated Highlights

(\$ in thousands except per-share amounts)	Three Months ended September 30			
	2008	2007	Change	% Change
Revenue	10,429	7,197	3,232	45%
Gross Profit	5,279	3,895	1,384	36%
EBITDA ⁽¹⁾	1,515	1,335	180	13%
Net Income before income taxes	619	719	(100)	(14%)
Net income	359	321	38	12%
Net income per share, basic	0.00	0.00	0.00	N/A
Net Income per share, diluted	0.00	0.00	0.00	N/A
Cash from operations	(18)	354	(372)	N/A
Free cash flow ⁽²⁾	657	698	(41)	(6%)

(1) Earnings before interest, taxes, depreciation and amortization is a non-GAAP measure. See Section 12.1 Earnings before interest, taxes, depreciation and amortization (EBITDA)

(2) Free cash flow is a non-GAAP measure. See Section 12.2 Free cash flow.

The following table reviews some results excluding stock-based compensation (please see section 4.3 above for a full explanation of the stock-based compensation expense).

(\$ in thousands except per-share amounts)	Three Months ended September 30			
	2008	2007	Change	% Change
EBITDA ⁽¹⁾	1,846	1,621	225	14%
Net Income before income taxes ⁽¹⁾	950	1005	(55)	(5%)
Net Income per share before taxes, basic ⁽¹⁾	0.01	0.01	0.00	N/A
Net Income per share before taxes, diluted ⁽¹⁾	0.01	0.01	0.00	N/A
(1) This is a non-GAAP measure. See Section 12 for reconciliation to the nearest GAAP measure.				

For specific comments on trends and financial performance please see sections 5.3 and 6 below.

5 Selected Annual and Quarterly Information

5.1 Quarterly Results Summary

The following table sets forth certain financial information on a consolidated basis for the last eight financial quarters:

(expressed in \$000's except per share and % amounts)	2008			2007				2006
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Total Revenues	10,429	10,033	11,377	8,619	7,197	4,870	8,435	10,760
Recurring Revenue ⁽¹⁾	5,007	4,935	4,633	2,795	2,531	2,381	2,123	2,220
Recurring Revenue ⁽¹⁾ as a % of Operation Expenses ⁽²⁾	146%	150%	140%	107%	111%	96%	94%	90% ⁽⁵⁾
Recurring Revenue ⁽¹⁾ as a % of Total Cash Expenditures ⁽³⁾	107%	106%	106%	76%	76%	69%	66%	65% ⁽⁵⁾
Percent Gross Margin	51%	49%	51%	57%	54%	49%	52%	49%
Income (Loss)	359	141	877	1,798	321	(989)	316	1,759
Income (Loss) (per share) - basic and diluted	0.00	0.00	0.01	0.02	0.00	(0.01)	0.00	0.02
Income (loss) before taxes excluding the stock-based compensation expense ⁽⁴⁾	950	882	1,819	1,702	1,005	(645)	1,528	3,827
Income (loss) per share before taxes excluding stock-based compensation expense - basic and diluted ⁽⁴⁾	0.01	0.01	0.02	0.02	0.01	(0.01)	0.01	0.04
<p>Note:</p> <p>⁽¹⁾ Recurring Revenue includes all fees that are billed to customers on a recurring basis.</p> <p>⁽²⁾ Operational Expenses includes all expenses except for Stock based compensation.</p> <p>⁽³⁾ Total Cash Expenditures includes all Operational Expenses plus the amount of R&D deferred in the period and all amounts for the acquisition of capital assets</p> <p>⁽⁴⁾ This is a non-GAAP measure. See Section 12 for reconciliation to the nearest GAAP measure.</p> <p>⁽⁵⁾ The \$1,656,000 reduction in R&D expense in Q4 2006 as described in section 6.5 of the 2006 annual MD&A is not included in Operational Expenses for this percentage calculation.</p>								

5.2 Comments on Corporate Performance Trends

Revenue for Q3 was slightly higher than Q2 but lower than Q1, which reflects the cyclical nature of the business, with traditionally lower middle quarters of the year. Revenue in Q3, 2008 was higher than in Q3, 2007 in keeping with the year over year positive revenue growth trend the Company had established over the past seven years. The Company anticipates renewed volatility in the industry for the balance of 2008 and well into 2009 as the industry adjusts to the global negative market conditions. The company therefore expects this volatility in the industry activity to be reflected in its revenues. Part of the revenue growth can be attributed to the acquisition of J&J Oilfield at the start of the year and UMS in Q2, with contributed revenue of \$2,163,000 and \$307,000 respectively in Q3.

The Company continues to grow its recurring revenue providing a solid foundation to weather poor market conditions. As a result of the acquisition of J&J Oilfield and UMS the recurring revenue percentages of operation expenses and total cash expenditures are significantly higher in 2008 and are expected to continue at the Company's historical growth trend.

Recurring revenue increased from \$2,531,000 in Q3 2007 to \$5,007,000 for Q3 of 2008, of which \$1,560,000 was contributed by the J&J operations and \$246,000 from UMS operations. The amount of recurring revenue in 2007 was \$9,830,000 compared to \$7,060,000 in 2006 and \$4,434,000 for 2005. For 2007 the percent of recurring revenue to operating expenses was 102%, growing from 77% in 2006, 66% in 2005, 51% in 2004 and 27% in 2003. This trend is expected to continue. The Company expects there may be some fluctuation in this percentage quarter to quarter but tracks the year over year trend to be sure the Company is continuing to take advantage of the scalability of its business model.

The Company also tracks recurring revenue as a percentage of total cash requirements, which is calculated by combining the investment in R&D and capital assets with the operating expenses. The trend tracks relatively close to the prior measure, looking solely at operation expenses. For 2007 the percent of recurring revenue to total cash expenditures was 72%, growing from 57% in 2006, 49% in 2005, 46% in 2004 and 25% in 2003.

Percent gross margin grew throughout 2006 and 2007. With the acquisition of J&J Oilfield, which has lower margins on its service model, the overall margins are down. The Company expects there to be some volatility in the percentage gross margin on a quarterly basis as a result of fluctuations in revenue mix. There is a significant margin difference between hardware, software and recurring fees and therefore, if the revenue mix changes between periods the total gross margin percentage can vary. The Company expects that margins will continue to be lower in 2008 compared to 2007 due to the influence of the J&J Oilfield margins.

The net income trend follows the revenue trend fairly closely.

6 Results of Operations – Third Quarter 2008

6.1 Revenue

The Company generated revenues of \$10,429,000 for the three months ended September 30, 2008 compared to \$7,197,000 for the three months ended September 30, 2007. This represents an increase of 45%. The increase in revenue is mostly attributable to an increase in sales of Zedi's traditional product line and the acquisition of J&J Oilfield. The revenue from historical Zedi operations was \$8,716,000 in Q3, which represents an increase of approximately 21% over Q3 2007.

6.2 Cost of Sales

The cost of sales for the three months ended September 30, 2008 was \$5,150,000 resulting in a 51% margin compared to a 54% margin on cost of sales of \$3,302,000 for the same period in 2007.

6.3 Operating Expenses

Operating expenses include compensation and benefits of the information technology, customer support, purchasing, shipping, quality assurance and operations departments, facility cost for Edmonton, Alberta and all related expenditures for these departments, excluding those costs charged to cost of sales. Operating expenses for the third quarter ended September 30, 2008 were \$715,000, which is higher than the same period for 2007 by \$285,000 or 66%. The increase is primarily attributed to the acquisition of J&J Oilfield and UMS. Operating expense, as a percentage of revenue was 6.9% for the third quarter ended September 30, 2008, as compared to 6.0% for the same quarter in 2007.

6.4 Sales, General and Administrative Expenses

Sales, general and administrative (SG&A) expenses include compensation and benefits of sales, marketing, executives, financial, legal, human resources and administrative staff, lease obligations, advertising, trade shows, travel, marketing materials and general supplies.

The SG&A expense was \$2,380,000 for the third quarter ended September 30, 2008. This expense was \$776,000 more than during the quarter ended September 30, 2007. The increase in the SG&A expense for the year is primarily due to the addition of SG&A from the J&J Oilfield and UMS operations, additional sales and marketing staff and increased costs for expanded international marketing efforts. SG&A expense as a percentage of revenue was 22.8% for the quarter ended September 30, 2008 as compared to 22.3% for the same quarter in 2007.

6.5 Research & Development

The Company is engaged in research and development work. 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.

The Company defers a portion of development costs, to be amortized over a five-year period. The five-year period is consistent with the historical lifecycle of prior product versions and appropriately matches the product revenue stream with its development costs.

Research and Development (R&D) expenses include compensation and benefits of all the development teams working on the continuing development of products as well as testing activities. These expenses also include the cost to retain independent contractors and consultants, software licensing expenses, and all related administrative expenses and supplies.

The total R&D cost was \$1,372,000 in the third quarter 2008 up from \$979,000 in the third quarter of the prior year. The Company capitalized \$1,034,000 of development costs in the third quarter and expensed \$338,000 of the costs. The overall increase in R&D activity primarily reflects the additional development activity related to the integration of new technology from the acquisitions of Roughneck, UMS and PetroNet and the development of new products to continue to fill out a full operations management optimization solution suite.

6.6 Stock-based Compensation

Effective January 1, 2004, Canadian accounting standards require recognition of compensation costs arising out of stock-based compensation plans under the fair value based method. Under the fair value based method, compensation cost is measured at fair value at the date of the grant and expensed over the stock option's vesting period.

The Company's non-cash stock-based compensation expense was \$331,000 for the quarter ended September 30, 2008, compared with \$286,000 for the quarter ended September 30, 2007 (please refer to section 4.3 for a full discussion of the stock-based compensation expense).

6.7 Net Income

The net income for the third quarter, 2008 was \$359,000 compared to \$321,000 for the same period in 2007 for an overall increase of \$38,000. A future income tax recovery amount of \$260,000 was recognized in the quarter. With stock-based compensation factored out, net income before taxes was \$950,000 in the third quarter compared to \$1,005,000 in Q3 of 2007.

6.8 Amortization of Capital and Intangible Assets

In the third quarter the amortization of capital and intangible assets was \$944,000, of which \$186,000 related to intangible assets acquired in the purchase of Menex, Roughneck, PetroNet, J&J Oilfield, and UMS which are non-recurring capital expenditures. Amortization of deferred development costs accounted for \$551,000 and patents accounted for \$3,000. The balance of \$204,000 is for the amortization of other capital assets that are required for the day-to-day operations of the Company.

6.9 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 months ended June 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%).

7 Quarterly Change in Financial Condition

The following are the significant changes in the consolidated balance sheets between September 30, 2008 and June 30, 2008.

(\$ thousands)	September 30, 2008	June 30, 2008	Change	Explanation
Current Assets				
Cash and cash equivalents	8,742	11,313	(2,571)	The reduction in cash is primarily related to the purchase of shares under the Normal Course issuer Bid and changes in non-cash operating working capital.
Accounts receivable	9,005	8,414	591	Receivables continue to be fairly stable with some growth attributed to annual billing of some UMS contracts.
Inventories	6,647	6,012	635	The increase in inventory levels is primarily due to preparations for increased manufacturing for the fall.
Current Liabilities				
Accounts payable	2,470	2,264	206	In line with expectations
Accrued liabilities	1,812	2,311	(499)	The decrease is mainly due to the payment of the accrual of the variable compensation.
Deferred revenue	4,651	4,939	(288)	Invoicing of contracts are yearly, but revenue is deferred and recognized monthly. This amount fluctuates depending upon the timing of contract renewals.
Working Capital⁽¹⁾	15,726	16,365	(639)	The decrease is primarily due to the purchase of shares under the Normal Course issuer Bid.
Capital Assets	1,875	1,897	(22)	In line with expectations.
Other Assets				
Intangibles	3,582	3,751	(169)	In line with expectations.
Goodwill	14,493	14,493	-	
¹ Current Assets minus current liabilities is an indicator of the ability to finance current operations and meet obligations as they fall due.				

8 Liquidity and Capital Resources

The Company's cash balance at September 30, 2008 was \$8,742,000, a decrease of \$3,157,000 from the September 30, 2007 balance. None of the Company's cash or cash equivalents is invested in asset-backed commercial paper. The Company's cash flows from operating, financing and investing activities, as reflected in the Consolidated Statements of Cash Flow, are summarized below:

(\$ thousands)	Three months ended September 30	
	2008	2007
Opening cash	11,313	13,477
Cash provided by operations	(18)	354
Cash (used) in financing	(1,298)	(564)
Cash (used) in investing	(1,255)	(1,368)
Closing cash	8,742	11,899

The decrease in cash from operations reflects the growth in receivables and inventory. The cash used in financing is related to the repurchase of shares pursuant to the Normal Course Issuer Bid. The cash used in investing is related to normal course capital purchases throughout the year, which are more fully described in a later section.

The following table presents summarized working capital information.

(\$ thousands)	Three months ended September 30,	
	2008	2007
Current assets	24,659	25,110
Current liabilities	8,933	4,882
Working capital	15,726	20,228
Current ratio	2.76	5.14

The Company has historically experienced two normal trends that impact liquidity throughout the year. Inventory build up and annual fee billing. The Company's inventory typically peaks through the winter months reflecting the buildup for the peak activity period. The Company bills network fees on an annual basis and in the past, renewals were all timed on a calendar year. This resulted in a growth in cash in the second quarter as these billings were received. This as well resulted in an increase in the deferred revenue as the revenue is recognized on a monthly basis for network fees, and the unrecognized revenue appears in the deferred revenue until it is earned. In 2005 the Company changed its contract renewal policy and began to renew contracts on their anniversaries. This will minimize the peaks and gradually level the receipts and deferred revenue throughout the year.

Capital expenditures were \$1,237,000 during the third quarter 2008, funded from cash flow from operations. Capital expenditures were:

Computer Hardware	\$	78,000
Computer Software	\$	51,000
Furniture & Equipment	\$	22,000
Manufacturing Tools & Equipment	\$	8,000
Leasehold Improvements	\$	24,000
Patents and Trademarks	\$	20,000
Deferred Development Costs	\$	1,034,000

Credit Facilities

The Company has credit facilities of \$1,000,000 to cover increased cash needs during peak demand periods. The interest rate is at Royal Bank Prime plus .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.

Financial Instruments

The Company does not currently have any outstanding financial instrument contracts.

Cash Requirements

The following aggregated information about our contractual obligations and other commitments is to provide insight into the Company's short and long term liquidity and capital resource requirements. The information does not include obligations that have original maturities of less than one year or planned capital expenditures.

(\$ thousands)	Total	Within 1 year	2 to 3 years	3 to 5 years
Long-term debt	59	1	2	3
Operating leases	2,699	762	1,465	472
Total	2,758	763	1,467	475

Long-term Debt

The long-term debt is a loan payable to Natural Resources Canada under an Industry Energy Research and Development (IERD) program. The loan is repayable at the rate of 1.5% of gross revenues from the sale of product developed under the program. Payments are due semi-annually, no more than 30 days after the end of June and December. The loans bears no interest except for over due payments, which bear interest at Bank of Canada prime plus 2%. The loan is unsecured.

Operating Leases

The Company has various operating leases for office premises in Edmonton and Calgary and vehicles.

Capital Expenditures

Capital expenditures are funded from cash flow from operations. The Company may adjust opportunity capital spending throughout the year depending on results. The most significant capital spending will be for development costs.

Based on current projections the Company has sufficient working capital required to meet capital spending requirements and achieve projected increasing sales and production levels.

Outstanding Share Information

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:

	<u>Nine Months Ended September 30, 2008</u>		<u>Year Ended December 31, 2007</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<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	259,996	138	-	-
Stock options exercised	265,345	190	232,678	162
Repurchased shares	(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>

9 Critical Accounting Estimates

9.1 Critical Accounting Estimates

Zedi's significant accounting policies are described in Note 3 of its annual 2007 consolidated financial statements and the 2007 annual MD&A.

10 Outlook

For the remainder of 2008, Zedi expects to continue advancement on many fronts including:

- The completion of the acquisition of OAS, effective October 31st
- The launch of the hand held option for Zedi EFM Walk-Up™ which will allow an operator to use a Blackberry® for retrieval and viewing of production data at the well site and to transmit the same data wirelessly to Zedi's secure web portal providing access to all authorized viewers.
- Continued progress towards penetrating markets outside of Canada with Zedi products and services.
- The introduction of solutions that are specifically designed to address optimization requirements of oil wells.

11 Business Risks and Uncertainty

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. None of the Company's cash is invested in asset-backed commercial paper. 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 single customer represented a significant percentage of total accounts receivable.

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 \$ 000's
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.

(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. 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.

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

- 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)
- 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)
- 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.

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.

Regulatory Risks

The Company is subject to various laws, regulations, regulatory actions and court decisions that may have negative effects on the Company. The Company may also be subject to regulation in foreign countries in connection with certain of its business activities. Changes in the regulatory environment could adversely affect the ability of the Company to attain its corporate objectives. There can be no assurance that foreign countries will not adopt laws or regulatory requirements that could adversely affect the Company.

Competition

The markets for remote production operations management will remain highly competitive. While the Company believes that it currently has unique products and has patents that protect its technology, there can be no assurance that competitors will not emerge in the near to medium term with comparable products. There are several very large companies involved in remote data management processes. Such companies have more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources than the Company. It is the Company's intention to establish marketing and distribution alliances with several of these companies but there can be no assurance that such alliances will be formed.

Dependence on a Market that has Historic Volatility

The Company's products are sold into the oil & gas industry, which historically has had significant shifts in activity and spending due to fluctuations in commodity prices. The Company's revenues are primarily dependant upon spending by oil & gas producers. A reduction in spending by producers could have a material adverse effect on the Company's business, results of operations and financial condition.

Reliance Upon the Internet

A portion of the Company's revenue is dependent on the continued use and expansion of the Internet. Use of the Internet has grown dramatically, but no assurance can be given of the continued use and expansion of the Internet as a medium of communication and commerce. A decrease in the demand for Internet services or a reduction in the currently anticipated growth for such services could have a material adverse effect on the Company's business, financial condition and results of operations.

Liability Risks

The Company is subject to a variety of potential liabilities connected with its business operations, including potential liabilities and expenses associated with possible product defects. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage and other damages.

Although the Company has obtained insurance against certain of these risks, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Dependence on Key Personnel

The success of the Company is dependent on management and the performance of key personnel in the areas of finance, product development, marketing and sales. There is intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain qualified personnel. The failure to attract or loss of any such personnel could adversely affect the success of the business for the period of time required to recruit a replacement.

Management of Growth

The Company's rapid growth places a significant strain on its financial, operational and managerial resources. While the Company engages in strategic and operational planning to adequately manage anticipated growth, there can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to fully manage its growth. There can be no assurance that the Company will be able to manage its growth successfully. Any inability of the Company to manage its growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

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.

12 Reconciliation of Non-GAAP Measures

12.1 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The Company reports EBITDA because it is a key measure used by management to evaluate the performance of the business. The Company also believes EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

EBITDA is not a calculation based on GAAP and should not be considered an alternative to Net Income in measuring the Company's performance or used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt reductions and other sources and uses of cash, which are disclosed in the consolidated financial statements. Investors should carefully consider the specific items included in the Company's calculation of EBITDA. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDA as reported by Zedi may not be comparable in all instances to EBITDA reported by other companies.

The following is a reconciliation of EBITDA with Net Income.

	Three Months ended September 30	
(\$ thousands)	2008	2007
Net Income	359	321
Amortization of capital assets and intangibles	944	747
Gain on disposal of capital assets	-	-
Future income taxes	260	398
Interest	(48)	(131)
EBITDA	1,515	1,335

12.2 Free Cash Flow

The Company reports free cash flow because it is a key measure used by management to evaluate the performance of consolidated operations. Free cash flow excludes certain working capital changes and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows. Free cash flow is not a calculation based on GAAP and should not be considered an alternative to the consolidated statement of cash flows. Free cash flow is a measure that can be used to gauge the Company's performance over time. Investors should be cautioned that free cash flow as reported by Zedi may not be comparable in all instances to free cash flow as reported by other companies. While the closest GAAP measure is cash provided by operating activities less cash used for acquisition of capital assets, free cash flow is relevant because it provides an indication of how much cash generated by operations is available after capital expenditures, but before proceeds from divested assets and changes in certain working capital items (such as trade receivables and trade payables).

The following shows management's calculation of free cash flow:

	Three Months ended September 30	
(\$ thousands)	2008	2007
EBITDA	1,515	1,335
Stock-based compensation	331	286
Cash interest (paid)	48	131
Cash available for discretionary spending and capital expenditures	1,894	1,752
Capital expenditures		
Deferred development	(1,034)	(739)
Purchase of other capital assets	(203)	(315)
Free Cash Flow	657	698

12.3 Net Income before Taxes with Stock-based Compensation Excluded

The Company reports net income before taxes with stock-based compensation excluded because it is a key measure used by management to evaluate the performance of the business. The Company believes this measure assists investors in comparing a company's performance on a consistent basis without regard to stock-based compensation, which is non-cash in nature and can vary significantly depending upon non-operating factors such as historical share price volatility. Please reference section 4.3 for further information on the stock-based compensation expense.

Net income before taxes with stock-based compensation excluded is not a calculation based on GAAP and should not be considered an alternative to net income before taxes.

The following shows management's calculation of net income before taxes with stock-based compensation excluded:

	Three Months ended September 30	
(\$ thousands)	2008	2007
Net Income before Taxes	619	719
Stock-based compensation	331	286
Net Income before Taxes Excluding Stock-based Compensation	950	1,005

12.4 Income per Share before Taxes with Stock-based Compensation Excluded, basic and diluted

The Company reports income per share before taxes with stock-based compensation excluded because it is a key measure used by management to evaluate the performance of the business. The Company believes this measure assists investors in comparing a company's performance on a consistent basis without regard to stock-based compensation, which is non-cash in nature and can vary significantly depending upon non-operating factors such as historical share price volatility. Please reference section 4.3 for further information on the stock-based compensation expense.

Income per share before taxes with stock-based compensation excluded, basic and diluted is not a calculation based on GAAP and should not be considered an alternative to income per share before taxes, basic and diluted.

The following shows management's calculation of income per share before taxes with stock-based compensation excluded, basic and diluted:

	Three Months ended September 30	
(\$)	2008	2007
Income (loss) per Share, basic and diluted	0.00	0.00
Future Income Tax per Share	0.00	0.00
Income (loss) per Share before Taxes, basic and diluted	0.00	0.00
Stock-based compensation per share	0.00	0.00
Income (loss) per Share Before Taxes Excluding Stock-based Compensation, Basic and Diluted	0.01	0.00

