

Consolidated Financial Statements

For the three months ended March 31, 2010 and 2009

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



Grant Exner
Chief Financial Officer

April 30, 2010

Consolidated Financial Statements

For the three months ended March 31, 2010 and 2009

Consolidated Balance Sheets

As at	<i>(In thousands)</i>	March 31, 2010 (Unaudited)	December 31, 2009 (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$	6,859	\$ 1,245
Accounts receivable (Note 9)		12,753	11,009
Inventories (Note 3)		6,780	7,696
Prepaid expenses and deposits		296	299
Future income tax assets (Note 8)		257	407
		26,945	20,656
Capital assets		2,327	2,412
Intangible assets (Note 4)		7,956	8,040
Goodwill		19,047	19,047
Future income tax assets (Note 8)		1,453	1,729
		\$ 57,728	\$ 51,884
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$	2,527	\$ 1,463
Accrued liabilities		2,641	1,804
Deferred revenue		7,349	4,511
		12,517	7,778
Shareholders' equity:			
Share capital (Note 5)		51,224	51,218
Contributed surplus (Note 6)		6,321	6,133
Deficit		(12,334)	(13,245)
		45,211	44,106
		\$ 57,728	\$ 51,884

*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 and Deficit

<i>(In thousands)</i>	For the Three Months Ended	
	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
Sales	\$ 14,720	\$ 12,712
Cost of sales	7,582	5,931
Gross profit	7,138	6,781
Expenses		
Operations	671	712
Sales, general and administrative	3,124	3,543
Product development (note 2)	1,150	865
	4,945	5,120
	2,193	1,661
Amortization of capital assets and intangibles	644	804
Stock based compensation	194	310
Loss (gain) on disposal of assets	-	(3)
Interest expense	16	55
	854	1,166
Net income before income taxes	1,339	495
Income tax provision (Note 8)	(426)	(194)
Net and comprehensive income	913	301
Deficit, beginning of period	(13,247)	(13,963)
Deficit, end of period	\$ (12,334)	\$ (13,662)
Net Income per common share		
– Basic and Diluted (Note 7)	\$ 0.01	\$ 0.00
Weighted average number of common shares – Basic	94,778,815	93,889,568
Weighted average number of common shares – Diluted	96,126,046	93,891,435

*See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(In thousands)</i>	For the Three Months Ended	
	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
Cash Provided by (used in)		
Operations		
Net income	\$ 913	\$ 301
Items not affecting cash:		
Amortization	644	804
Loss (gain) on disposal of assets	-	(3)
Stock-based compensation	194	310
Income tax provision	426	194
Changes in non-cash operating working capital	3,912	(1,822)
	<u>6,089</u>	<u>(216)</u>
Investing		
Acquisitions of capital assets	(101)	(265)
Additions to internally-generated intangible assets	(374)	(857)
Proceeds on disposal of capital assets	-	5
	<u>(475)</u>	<u>(1,117)</u>
Increase (decrease) in cash and cash equivalents	5,614	(1,333)
Cash and cash equivalents, beginning of period	1,245	15
Cash and cash equivalents, end of period	\$ 6,859	\$ (1,318)
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	-	-
Interest received (paid)	-	-
Components of cash and cash equivalents		
Cash (overdraft)	2,835	(1342)
Cash equivalents	4,024	24

*See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements For the three months ended March 31, 2010 and 2009

(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. 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 principles ("GAAP") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009. 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.

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.

The Company changed the description used to denote the portion of its overall research, development and product sustainment activities that do not qualify for capitalization. These expenditures are now referred to as "Product Development" in the Consolidated Statement of Operations, whereas previously they were referred to as "Research and Development".

3. Inventories:

	March 31, 2010	December 31, 2009
Raw materials and consumable supplies	\$ 2,382	\$ 2,430
Finished goods	4,022	5,129
Work In Progress	376	137
	\$ 6,780	\$ 7,696

The Company continues to utilize the FIFO method to value its 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.

	\$
Finished Goods at December 31, 2009	\$5,129
Finished Goods produced	
- Materials and supplies	873
- Labor and Overhead	235
Cost of Finished Goods sold (2009 - \$4,723)	(2,215)
Finished Goods at March 31, 2010	\$4,022

During the three months ended March 31, 2010 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.

4. Intangible assets:

Net book value:	As at March 31, 2010	As at December 31, 2009
Acquired Intangibles	\$ 3,700	\$ 3,926
Internally-generated Intangibles	\$ 4,256	\$ 4,114
	\$ 7,956	\$ 8,040

Acquired Intangibles	As at March 31, 2010			As at December 31, 2009
	Cost	Accumulated amortization	Net book value	Net book value
Purchased Software	\$ 559	\$ 559	\$ -	\$ -
Intellectual Property	4,577	2,311	2,266	2,366
Developed Software	2,744	1,809	935	1,030
Employment Contracts	989	709	280	317
Patents and Trademarks	288	69	219	214
	\$ 9,157	\$ 5,457	\$ 3,700	\$ 3,926

Total amortization of purchased intangibles for the three months ended March 31, 2010 was \$236 (2009 - \$381).

4. Intangible assets, continued:

Internally-generated Intangibles	As at March 31, 2010			As at December 31, 2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$ 7,963	\$ 3,708	\$ 4,256	\$4,114

Internally-generated intangibles

	March 31, 2010	December 31, 2009
Net book value, beginning of period	4,114	3,736
Development costs capitalized in period	374	2,327
Less Scientific Research and Development Credits recognized	-	(276)
Less amortization in period	(232)	(1,071)
Less writedown	-	(596)
Ending balance, net of accumulated amortization	4,256	4,114

Total amortization of internally-generated intangibles for the three months ended March 31, 2010 was \$232 (2009 - \$207).

5. 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:

	Three Months Ended March 31, 2010		Year Ended December 31, 2009	
	Number	Amount	Number	Amount
Balance outstanding, beginning of period	94,772,021	\$51,218	94,358,168	\$50,960
Shares issued:				
Issued from treasury	8,025	6	882,453	258
Cancellation of outstanding treasury stock (Note 5(b))	-	-	(468,600)	-
Balance outstanding, end of period	94,780,046	\$51,224	94,772,021	\$51,218

(b) Repurchase of shares

As of December 31, 2008 the Company had acquired a total of 8,722,700 common shares for \$6,809 pursuant to two normal course issuer bids commenced in 2008, of which 8,254,700 were cancelled as of December 31, 2008. No additional shares were acquired during the year ended December 31, 2009 and the remaining 468,600 shares acquired in 2008 were cancelled early in March, 2009. The Company allocated the cost of

5. Share capital, continued:

repurchasing these shares to share capital in the amount equal to its assigned value and any excess was recorded in contributed surplus.

(c) 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 three months ended March 31, 2010, no options (2009-39,576) were granted.

	Three Months Ended March 31, 2010		Year ended December 31, 2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	6,346,053	\$ 0.57	7,810,496	\$ 0.94
Granted	-	-	2,275,576	0.40
Exercised	-	-	-	-
Expired/Forfeited	(85,917)	0.66	(3,740,019)	0.96
Outstanding, end of period	6,260,136	\$ 0.57	6,346,053	\$ 0.57
Options exercisable, end of period	2,126,059		2,123,050	

Exercise Price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.21-0.49	2,236,000	2.6 yrs	\$0.40	-	\$ -
0.50-1.00	4,014,525	1.3 yrs	0.66	2,116,448	0.73
1.01-1.50	9,611	0.6 yrs	1.50	9,611	1.50
\$0.21-1.50	6,260,136	1.8 years	\$0.57	2,126,059	\$0.73

(d) 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

5. Share capital, continued:

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.

	2010	2009
Risk free interest rate	N/A	1.83%
Expected life in years	N/A	3.0
Expected Volatility	N/A	63%
Weighted average fair value of options granted	N/A	\$0.26
Expected Dividend	-	-

(e) *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 three months ended March 31, 2010, the Company did not issue any DSUs (2009 - Nil) in director fee compensation. The Company has an obligation under the DSU plan at March 31, 2010 of \$3 (2009 - \$4).

(f) *Deferred share unit and Restricted share unit 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 months ended March 31, 2010, the Company issued no RSUs (2009 - 14,841 RSU's were issued with a weighted average fair value of \$0.60).

6. Contributed Surplus:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$6,133	\$5,267
Stock option expense for the period	123	751
Fair value of options/RSU exercised	(5)	(258)
RSU expense for the period	70	373
Repurchase of shares	-	-
Balance, end of the period	\$6,321	\$6,133

7. Reconciliation of earnings per share amounts:

The following table sets forth the reconciliation of basic and diluted earnings per share for the three months ended March 31:

	2010	2009
Net Income	\$ 913	\$ 301
Weighted average number of common shares outstanding – basic	94,778,815	93,889,568
Net Shares assumed issued	1,347,231	1,867
Weighted average number of common shares outstanding – diluted	96,126,046	93,891,435
Earnings per share:		
Basic	\$0.01	\$0.00
Diluted	\$0.01	\$0.00

The number of securities convertible into shares excluded as being anti-dilutive for purposes of calculating diluted earnings per share was 2,062,847 for the three months ended March 31, 2010 (2009- 8,656,168)

8. 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 quarter ended March 31, 2010, the estimate of current tax expense is nil (2009 – 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 28.0% (2009 – 29%).

9. 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, deposits, 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.

Financial assets past due

At March 31, 2010, the Company does not consider any of its financial assets to be impaired with the potential exception of \$827 of accounts receivable, which have been fully recognized within the allowance for doubtful accounts. The following table provides information regarding the aging of financial assets that are past due but which are not impaired.

At March 31, 2010, the following financial assets are past due but not impaired:

	Neither past due nor impaired	31 – 60 days	61 – 90 days	91 days+	Carrying value \$
Accounts Receivable	49%	23%	17%	10%	12,753

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.

9. Financial instruments, continued:

Movement in the allowance for Doubtful Debts

	As at	
	March 31, 2009	December 31, 2009
Opening Balance	\$827	\$883
Additional Provision	-	125
Amounts used	-	(181)
Closing Balance	\$827	\$827

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.

10. 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, 2009, and the Company continues to follow the same capital management policies as in the prior year.

11. 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 over 400 wells in north-east British Columbia and north-west 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.

11. Segmented Information (continued):

The following information is selected financial information for the production operations management and field operations management segments for the three months ended March 31, 2010:

For the three months ended March 31, 2010	Production operations management	Field operations management	Total
Revenue	\$10,432	\$4,288	\$14,720
Income before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes	2,082	111	2,193
Amortization of capital assets and intangibles	630	14	644
Stock based compensation	194		194
Interest (income)	16	-	16
Income before income taxes	1,242	97	1,339
Net income	849	64	913

For the three months ended March 31, 2010	Production operations management	Field operations management	Total
Total assets	56,660	1,068	57,728
Goodwill added in period	-	-	-
Total goodwill	15,707	3,340	19,047
Capital expenditures	475	-	475

11. Segmented Information (continued):

The following information is selected financial information for the production operations management and field operations management segments for the three months ended March 31, 2009:

For the three months ended March 31, 2009	Production operations management	Field operations management	Total
Revenue	\$9,420	\$3,292	\$12,712
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes	1,340	321	1,661
Amortization of capital assets and intangibles	790	14	804
Stock based compensation	310		310
Loss on disposal of assets		(3)	(3)
Interest (income)	54	1	55
Income (loss) before income taxes	186	309	495
Net income(loss)	(46)	347	301
<hr/>			
For the year ended December 31, 2009	Production operations management	Field operations management	Total
Total assets	48,514	3,370	51,884
Goodwill added in period	4	379	383
Total goodwill	15,707	3,340	19,047
Capital expenditures	3,411	86	3,497

12. Subsequent Event:

The Company has signed a letter of intent to acquire all the issued and outstanding shares of Skyways Technical Services Ltd., a private corporation providing field operations and management services to the oil and gas industry in north-east British Columbia. The transaction, expected to close on August 1, 2010, is conditional upon the completion of due diligence and obtaining the necessary board and regulatory approvals. The purchase price of \$1,800 is comprised of an upfront cash payment of \$400 and earn out payments based on certain EBITDA targets being met.