

Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

Corporate Governance

The Zedi Board of Directors is committed to the application of the best corporate governance practices regardless of the size of the corporation. 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. 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.

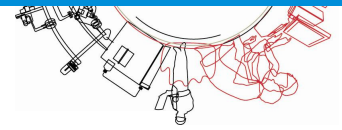
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are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

Matthew Heffernan
President and Chief Executive Officer

Robert Gordon
Chief Financial Officer



Deloitte.

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Auditors' Report

To the Shareholders of
Zedi Inc.:

We have audited the consolidated balance sheets of **Zedi Inc.** as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

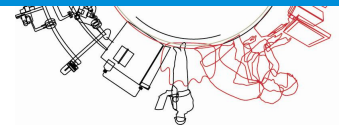
We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2008 and 2007 and the consolidated results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
February 13, 2009

Deloitte & Touche LLP

Chartered Accountants



Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

Consolidated Balance Sheets

As at	December 31,	
<i>(In thousands)</i>	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 15	\$ 12,539
Accounts receivable (Note 14)	12,133	6,579
Inventories (Note 4)	7,903	6,480
Prepaid expenses and deposits	321	179
Future income tax assets (Note 13)	471	118
	20,843	25,895
Capital assets (Note 5)	2,386	1,552
Deferred development costs (Note 6)	5,571	3,715
Intangible assets (Note 7)	5,025	3,538
Goodwill (Note 8)	18,664	11,140
Future income tax assets (Note 13)	1,428	2,390
	\$ 53,917	\$ 48,230
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,131	\$ 797
Accrued liabilities	3,106	1,403
Deferred revenue	4,079	2,877
	10,316	5,077
Shareholders' equity:		
Share capital (Note 9)	50,960	53,310
Contributed surplus (Note 10)	5,267	5,255
Deficit	(12,626)	(15,412)
	43,601	43,153
	\$ 53,917	\$ 48,230

*See accompanying notes to consolidated financial statements.

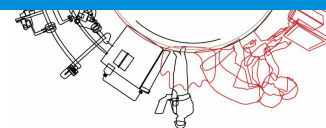
Approved on behalf of the Board:



Martin A. Lambert, Director



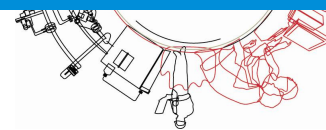
Douglas G. Marlin, Director



Consolidated Statements of Operations, Comprehensive Income and Deficit

<i>(In thousands)</i>	For the Year Ended	
	December 31, 2008	December 31, 2007
Sales	\$ 46,178	\$ 29,121
Cost of sales	22,793	13,559
Gross profit	23,385	15,562
Expenses		
Operations	2,699	1,731
Sales, general and administrative	11,156	6,886
Research and development	1,371	1,006
	15,226	9,623
	8,159	5,939
Amortization of capital assets and intangibles	3,827	2,822
Stock based compensation	1,513	1,850
Loss on disposal of assets	3	1
Interest (income)	(243)	(474)
	5,100	4,199
Net income before income taxes	3,059	1,740
Income tax provision (Note 13)	(833)	(294)
Net and comprehensive income (note 2)	2,226	1,446
Deficit, beginning of year	(15,412)	(16,858)
Adjustment on adoption of change in accounting policy for finished goods inventory (Note 4)	560	-
Deficit, beginning of year adjusted	(14,852)	(16,858)
Deficit, end of year	\$ (12,626)	\$ (15,412)
Net Income per common share - Basic and Diluted (Note 11)	\$ 0.02	\$ 0.01
Weighted average number of common shares - Basic	96,393,685	100,719,181
Weighted average number of common shares - Diluted	96,713,231	100,899,414

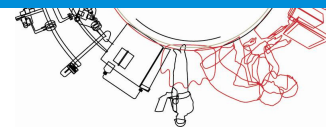
*See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows

<i>(In thousands)</i>	For the Year Ended	
	December 31, 2008	December 31, 2007
Cash Provided by (used in)		
Operations		
Net income	\$ 2,226	\$ 1,446
Items not affecting cash:		
Amortization	3,827	2,822
Loss on disposal of assets	3	1
Stock-based compensation	1,513	1,850
Income tax recovery	833	294
Changes in non-cash operating working capital	988	3,990
	<u>9,390</u>	<u>10,403</u>
Financing		
Proceeds from shares issued	111	97
Repurchase of shares	(4,101)	(2,708)
	<u>(3,990)</u>	<u>(2,611)</u>
Investing		
Acquisitions of capital assets	(5,295)	(4,064)
Earnout Petronet Systems Inc.	(396)	-
Acquisition of J&J Oilfield, net of cash acquired (Note 18 (c))	(4,085)	-
Acquisition of Universal Measurement Solutions Ltd., net of cash acquired (Note 18 (a))	(1,408)	-
Acquisition of OAS Oilfield Accounting Service Ltd., net of cash acquired (Note 18(b))	(6,834)	-
Proceeds on disposal of capital assets	7	4
Changes in non-cash working capital	87	(946)
	<u>(17,924)</u>	<u>(5,006)</u>
(Decrease) increase in cash and cash equivalents	(12,524)	2,786
Cash and cash equivalents, beginning of period	12,539	9,753
Cash and cash equivalents, end of period	\$ 15	\$ 12,539
Supplemental Disclosure of Cash Flow Information		
Income taxes paid	-	-
Interest received	(285)	(534)
Components of cash and cash equivalents		
Cash (overdraft)	(9)	2,035
Cash equivalents	24	10,504

*See accompanying notes to consolidated financial statements.



Notes To Consolidated Financial Statements For the years ended December 31, 2008 and 2007

(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:

(a) Financial Instruments and Hedging Activities

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

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

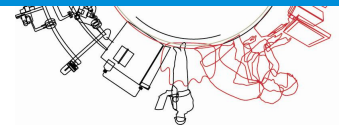
Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains,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

The additional disclosures have been included in Note 14.

For the year ended December 31, 2008 the Company did not recognize any items of other comprehensive income (loss) or accumulated other comprehensive income.

(b) Capital Disclosures

Effective January 1, 2008, the Company adopted the new recommendations of the CICA Handbook Section 1535, Capital Disclosures. This new Handbook Section establishes standards for disclosing information about an entity's capital and how it is managed. It requires the disclosure of information about an entity's capital and objectives, policies and processes for managing capital. The new disclosures are included in Note 16.



2. Changes in accounting policies, continued:

(c) Financial Statement Presentation

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

(d) Inventories

Effective January 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3031, Inventories, which replaces Section 3030. The new section is harmonized with International Accounting Standards and provides additional guidance on the measurement and disclosure requirements for inventories. The standard requires inventory to be measured at the lower of cost and net realizable value. Cost of inventories shall be composed of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amounts of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as and expense in the period in which the reversal occurs. The new disclosures are included in Note 4.

3. Significant accounting policies:

(a) Basis of presentation

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

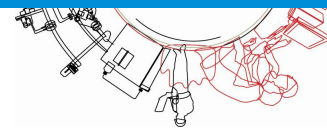
The financial statements have been prepared using the same accounting policies and methods of application as in the prior year, except for the adoption of new accounting requirements as described in Note 2.

(b) Use of estimates

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

(c) Cash and cash equivalents

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



3. Significant accounting policies, continued:

(d) Revenue recognition

Revenues from the Company's product lines are recognized as follows and when the ability to collect is reasonably assured:

- Revenue from the sale of the Company's Smart-Alek[®] product-line is recorded for the unit when it is shipped and installation fees are recognized when the installation of the Smart-Alek unit is completed.
- Revenue from the optimization and well-test product-lines is recorded when the goods are shipped and services are rendered.
- Revenue from field services, chart reading, PetroNet software and monthly network service fees are recognized in the month in which the services are provided.
- Revenue for the Roughneck software product is recorded in two parts: the software license fee is recorded at the time the software module is delivered and the software maintenance fees are recorded in the month in which the services are provided

(e) Foreign exchange

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

(f) Seasonality

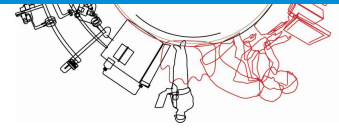
The Company sells its products to the Oil and Gas Industry, primarily in Canada, which is subject to seasonal variations in activity. Traditionally, Canadian drilling activities increase during winter months and tend to slow during the spring, which may result in fluctuations in revenue throughout the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

(g) Future income tax assets and income taxes

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

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

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



3. Significant accounting policies, continued:

(h) *Guarantees*

There are no guarantees that require disclosure.

(i) *Research and development costs*

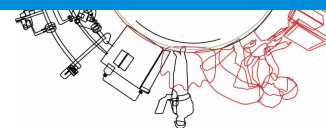
The Company is engaged in research and development. Research costs are expensed as incurred. Development costs are expensed in the period incurred, unless they meet the criteria for deferral established by GAAP.

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

(j) *Stock-based compensation*

The Company has the following stock-based compensation plans:

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



3. Significant accounting policies, continued:

(k) Capital assets

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

Asset	Basis	Rate
Office furniture and fixtures	Declining balance	20%
Equipment	Declining balance	30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%
Automotive	Declining balance	10% - 30%
Leasehold Improvements	Straight-line over the lesser of the lease term and useful life	7 years

(l) Purchased intangible assets

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

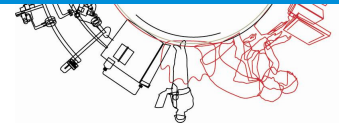
Intangibles – Purchased software	(5 years)
Intangibles – Employment Contracts	(2 years)
Intangibles – Employment Contracts Menex, Roughneck and OAS	(3 years)
Intangibles – Employment Contracts J&J Oilfield Ltd.	(5 years)
Intangibles – Intellectual property Menex	(12 years)
Intangibles – Customer relationships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

(m) Goodwill

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

(o) Earnings per Share

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



3. Significant accounting policies, continued:

(p) *Financial Instruments*

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

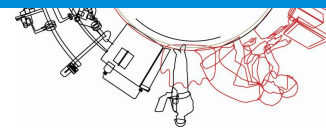
- Cash and cash equivalents are classified as held for trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized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

(q) *Future Accounting Changes*

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

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

3. **Business Combinations:** In January 2009, the CICA issued Section 1582, Business Combinations, to replace Section 1581, Business Combinations. Various changes have been made to other sections of the CICA Handbook for consistency purposes, including revisions to 1601 and 1602 as described below. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2011. It establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; how it recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.



3. Significant accounting policies, continued:

4. Consolidation: In January 2009, the CICA also issued Sections 1601, Consolidated Financial Statements, and 1602, Non-controlling Interests, to replace Section 1600, Consolidated Financial Statements. Various changes have been made to other sections of the CICA Handbook for consistency purposes, including revisions to 1582 as described above. The new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2011. They establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

4. Inventories:

	December 31, December 31,	
	2008 2007	
Raw materials and consumable supplies	\$ 3,189	\$ 2,029
Finished goods	4,448	4,263
Work In Progress	266	188
	\$ 7,903	\$ 6,480

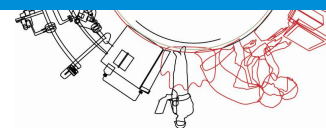
On January 1, 2008 the Company adopted the CICA Handbook Section 3031 – Inventories, on a prospective basis.

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.

Prior to the adoption of Section 3031, Zedi reclassified overheads and labour from various departments to cost of sales on a monthly basis. In adopting Section 3031, Zedi adjusted opening inventory of finished goods as at January 1, 2008 by \$795, the amount of labor and overhead applicable to the specific items in inventory at that date, and thereafter applied these costs on an ongoing basis to all new finished goods produced. At December 31, 2008, finished goods in inventory included \$637 of labor and overhead costs. Accordingly, cost of sales for the year ended December 31, 2008 was \$158 higher than it would have been under the old inventory costing policy.

	\$
Finished Goods at December 31, 2007	\$4,263
Application of labor and overhead costs to items in opening inventory	795
Opening Finished Goods January 1, 2008 – as restated	5,058
Finished Goods produced	
- Materials and supplies	7,939
- Labor and Overhead	1,182
Cost of Finished Goods sold (2007 - \$7,346)	(9,731)
Finished Goods at December 31, 2008	\$4,448



4. Inventories (continued):

The adjustment to opening inventory on adoption was to increase inventory by \$795 decrease future income tax assets by \$235 and decrease deficit by \$560.

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

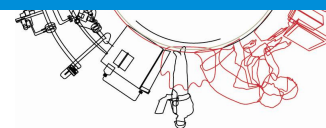
During the year ended December 31, 2008 there were no inventory write-downs and no reversals of any previous writedowns. Finished Goods inventories are pledged as collateral for the company's credit facility.

5. Capital assets:

December 31, 2008	Cost	Accumulated amortization	Net book value
Office furniture and fixtures	\$ 1,003	\$ 607	\$ 396
Equipment	1,146	829	317
Computer hardware	3,115	1,911	1,204
Computer software	2,025	1,828	197
Automotive	114	58	56
Leasehold Improvements	347	131	216
	\$ 7,750	\$ 5,364	\$ 2,386

December 31, 2007	Cost	Accumulated amortization	Net book value
Office furniture and fixtures	\$ 868	\$ 528	\$ 340
Equipment	913	717	196
Computer hardware	2,256	1,481	775
Computer software	1,697	1,601	96
Automotive	82	43	39
Leasehold Improvements	191	85	106
	\$ 6,007	\$ 4,455	\$ 1,552

Total amortization of capital assets for the year ended December 31, 2008 was \$814 (2007 - \$681). As at December 31, 2008, computer hardware with a cost of \$104 and a net book value of \$0 (2007 - \$6) are assets held under capital lease.



6. Deferred development costs:

December 31, 2008	Cost	Accumulated amortization	Net book value
Deferred Development Costs	\$ 10,080	\$ 4,509	\$ 5,571
	\$ 10,080	\$ 4,509	\$ 5,571

December 31, 2007	Cost	Accumulated amortization	Net book value
Deferred Development Costs	\$ 6,119	\$ 2,404	\$ 3,715
	\$ 6,119	\$ 2,404	\$ 3,715

Total amortization of deferred development costs for the year ended December 31, 2008 was \$2,105 (2007 - \$1,328).

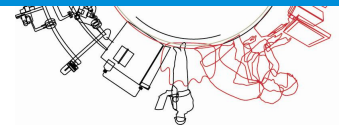
During 2008 the Company recognized the benefit of \$335 (2007 - \$240) related to SRED investment tax credits for qualifying expenditures of previous years. Of this amount, \$319 (2007 - \$214) was recorded as a reduction of deferred development costs, \$16 (2007 - \$26) was recorded as a reduction of capital assets.

7. Intangible assets:

December 31, 2008	Cost	Accumulated amortization	Net book value
Purchased Software	\$ 559	\$ 559	\$ -
Intellectual Property	4,577	1,675	2,902
Developed Software	2,744	1,265	1,479
Employment Contracts	989	524	465
Patents and Trademarks	228	49	179
	\$ 9,097	\$ 4,072	\$ 5,025

December 31, 2007	Cost	Accumulated amortization	Net book value
Purchased Software	\$ 559	\$ 559	\$ -
Intellectual Property	4,119	1,263	2,856
Developed Software	1,387	852	535
Employment Contracts	467	451	16
Patents and Trademarks	169	38	131
	\$ 6,701	\$ 3,163	\$ 3,538

Total amortization of intangibles for the year ended December 31, 2008 was \$909 (2007 - \$813).



8. Goodwill:

	2008	2007
Balance, beginning of year	\$11,140	\$8,480
Earnout provisions (Note 18)	487	946
Adjustment due to purchase price allocations (Note 19)	7,037	1,714
Balance, end of year	\$18,664	\$11,140

9. Share capital:

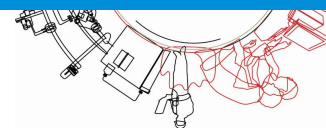
(a) Authorized and issued shares:

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:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Number	Amount	Number	Amount
Balance outstanding, beginning of year	98,254,427	\$53,310	101,853,849	55,261
Shares issued:				
Issued from treasury	-	-	1,000	1
Issued from Treasury pursuant to earnout provision of Petronet (Note 9(c))	259,996	138	-	-
Stock options exercised (Note 9(b))	265,345	190	232,678	162
Repurchased shares, net of treasury stock (Note 9(d))	(4,421,600)	(2,678)	(3,833,100)	(2,114)
Balance outstanding, end of year	94,358,168	\$50,960	98,254,427	\$53,310

(b) Stock options exercised:

During the year ended December 31, 2008, 265,345 stock options were exercised for cash proceeds of \$112 plus a total of \$78 fair value amount transferred from contributed surplus (2007-232,678 stock options were exercised for cash proceeds of \$95 plus a total of \$67 fair value amount transferred from contributed surplus).



9. Share capital, continued:

(c) *Petronet Systems Inc. earnout*

On January 31, 2008 the Company paid out the remaining earnout of \$720 (\$367 from 2007 and \$353 from 2008) which was paid by cash of \$396 and 259,996 shares at a deemed value of \$1.25 per share based on the purchase agreement. The market value of these shares at the time they were issued from treasury was \$0.53 per share.

(d) *Repurchase of shares*

The Company completed a normal course issuer bid on May 17, 2008 and commenced a second normal course issuer bid on May 22, 2008, pursuant to which up to 4,875,559 common shares in the capital of the Company (5% of the issued and outstanding common shares at the time of commencement of the bid) can be repurchased by the Company and cancelled over a maximum one year period. In the year ending December 31, 2008 the Company acquired a total of 4,889,600 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 8,722,700 common shares for \$6,809 pursuant to the current and the prior normal course issuer bid, of which 8,254,700 have been cancelled as of December 31, 2008.

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.

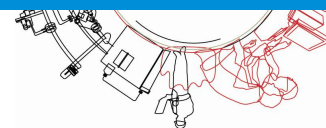
(e) *Stock options outstanding:*

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

During the year ended December 31, 2008, a total of 2,792,583 options were granted.

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

	December 31, 2008		December 31, 2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	8,932,186	\$ 1.20	10,222,763	\$ 1.33
Granted	2,792,583	0.62	1,469,739	0.62
Exercised	(265,345)	0.42	(232,678)	0.41
Expired/Cancelled	(3,648,928)	1.25	(2,527,638)	1.38
Outstanding, end of year	7,810,496	\$ 0.94	8,932,186	\$ 1.20
Options exercisable, end of year	3,114,802		3,705,209	



9. 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
\$0.21-\$0.49	6,000	2.8 yrs	\$0.47	2,000	\$0.47
0.50-1.00	5,913,584	3.0 yrs	0.69	1,386,166	0.69
1.01-2.00	1,333,785	0.9 yrs	1.46	1,169,509	1.46
2.01-2.88	557,127	0.1 yrs	2.30	557,127	2.30
\$0.21- \$2.88	7,810,496	2.4 years	\$0.94	3,114,802	\$1.31

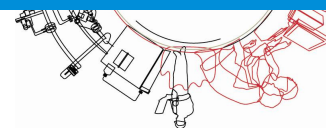
(f) Stock options outstanding:

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.

	2008	2007
Risk free interest rate	3.03%	4.32%
Expected life in years	3.0	3.0
Expected Volatility	58%	51%
Weighted average fair value of options granted	\$0.29	\$0.22
Expected Dividend	-	-

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

The Company maintains a DSU plan to provide directors with the option to elect to receive DSUs in lieu of cash payment for all or a portion of their director fees. When such an election is made, the Company credits to the account of each director a number of DSUs equal to the amount of fees divided by the fair market value of the common shares. DSUs vest immediately and are equivalent in value to common shares. The directors' accounts shall be credited with dividend equivalents in the form of additional DSUs if and when the Company pays dividends on the common shares. Units are redeemable, in cash or Common shares only following termination of the director's services and must be redeemed by December 31 of the following year or in certain cases a shorter time period. During the year, the Company did not issue any DSUs (2007 - \$Nil) in director fee compensation. The Company has an obligation under the DSU plan at December 31, 2008 of \$3 (2007 - \$4).



9. Share capital, continued:

(h) 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 year ended December 31, 2008, the Company issued 887,753 (2007 - 548,758) RSUs with a weighted average fair value of \$0.62 (2007 - \$0.54)

10. Contributed Surplus:

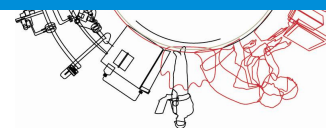
	December 31, 2008	December 31, 2007
Balance, beginning of year	\$5,255	\$4,063
Stock-based compensation expense	1,327	1,832
Fair value of options exercised	(78)	(67)
Restricted Share Unit Plan	186	21
Repurchase of shares	(1,423)	(594)
Balance, end of the year	\$5,267	\$5,255

11. Reconciliation of earnings per share amounts:

The following table sets forth the reconciliation of basic and diluted earnings per share for the years ended December 31:

	2008	2007
Net Income (loss)	\$ 2,226	\$ 1,466
Weighted average number of common shares outstanding - basic	96,393,685	100,719,181
Net Shares assumed issued	319,546	180,233
Weighted average number of common shares outstanding - diluted	96,713,231	100,899,414
Earnings per share:		
Basic	\$0.02	\$0.01
Diluted	\$0.02	\$0.01

The number of shares excluded as being anti-dilutive for purposes of calculating diluted earnings per share was 4,050,854 (2007 - 7,199,156)



12. Revenue:

During the year ended December 31, 2008, the Company generated approximately 0.7% (2007- 0.2%) of its revenue in the US, 99% (2007- 99%) in Canada, and 0.3% (2007 - 0.8%) in other geographic regions. The Company's operations and assets are primarily located in Canada.

13. Income taxes:

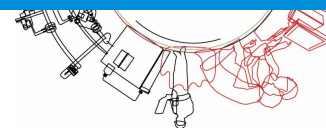
(a) Future Income Tax Assets

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 year ended December 31, 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%).

(b) Expected tax rate:

The expected effective tax rate for a public company in Alberta is approximately 29.5% in 2008 and 32% in 2007.

	2008	2007
Combined basic Canadian federal and provincial income tax rate	29.5%	32%
Expected combined Canadian federal and provincial tax payable based on above rates	\$902	\$560
Non-deductible items	509	900
Creation and reversal of temporary differences		(1,173)
Utilization of loss carryforwards	(263)	-
Change in valuation allowance	(212)	(207)
Rate Changes	(103)	214
Consolidated income tax provision	\$ 833	\$ 294



13. Income taxes, continued:

The Company provided a valuation allowance against the future income tax assets based on the Company's evaluation of the likelihood of realization of these assets based on positive and negative evidence. The Company will continue to evaluate and examine the valuation allowance on a regular basis.

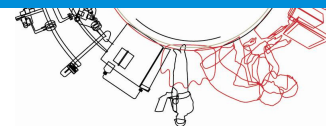
(c) *Net future tax asset:*

Future income taxes arise from temporary differences which are differences between the tax basis of an asset or liability and its carrying amount in the balance sheet. The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2008 and 2007 are presented below:

	December 31, 2008	December 31, 2007
Future tax assets and (liabilities):		
Non-capital losses carried forward Canada	\$ 1,235	\$ 1,260
Scientific research tax pools and credits	1,919	1,819
Intangible assets	(1,268)	(844)
Canadian exploration and development tax pools	810	810
Foreign exploration and development tax pools	2,013	2,013
Financing fees	2	39
Reorganization costs	140	140
Capital assets, differences between net book value and undepreciated capital cost	57	203
Other	296	118
Total	5,204	5,558
Less valuation allowance	(3,305)	(3,050)
Net future tax asset	\$ 1,899	\$ 2,508
Classification for balance sheet purposes:		
Current	\$ 471	\$ 118
Long term	1,428	2,390

The valuation allowances at December 31, 2008 and 2007 are primarily in respect of Canadian and Foreign exploration and development tax pools. These pools are not subject to expiry, however the amounts are only deductible against income from prescribed activities.

During the fourth quarter of 2008, the Company recorded future tax assets in respect of loss carryforwards and SRED expenditure pools of Universal Measurement Solutions Ltd. (UMSL), which had not met the criteria for recognition at the time of the business acquisition. Accordingly goodwill associated with the UMSL acquisition has been reduced by \$542 and internally developed software has been reduced by \$340.



13. Income taxes, continued:

The non-capital losses carried forward expire between 2009 and 2028 as follows:

2009	\$ 5
2013	836
2014	83
2015	353
2024	1,173
2026	176
2027	972
2028	<u>706</u>
	<u>\$4,304</u>

(d) Investment Tax Credits:

During 2008 the Company recognized the benefit of \$335 (2007 - \$240) related to SRED investment tax credits for qualifying expenditures of previous years. Of this amount, \$319 (2007 - \$214) was recorded as a reduction of deferred development costs, \$16 (2007 - \$26) was recorded as a reduction of capital assets.

14. Financial instruments:

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

Fair values

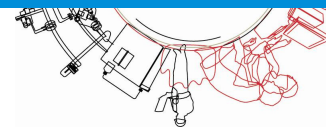
The carrying values of cash and cash equivalents, accounts receivable, accounts payable, IERD loan payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

Risk Disclosure

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

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents at a Canadian Schedule I bank with a nominal amount being covered by the Canada Deposit Insurance Corporation. The Company's accounts receivable are primarily from customers operating in the oil and natural gas industry in Alberta and are subject to the credit and political risks that would be considered normal in this industry. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary. The Company does not obtain collateral or other security to support accounts receivable. The maximum credit risk to which the Company is exposed is the carrying value of cash and equivalents and accounts receivable at the balance sheet date. At December 31, 2008 no customer represented a significant percentage of total accounts receivable.



14. Financial instruments, continued:

Financial assets past due

At December 31, 2008, the Company does not consider any of its financial assets to be impaired with the potential exception of \$883 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 December 31, 2008, 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	55%	25%	10%	10%	12,133

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.

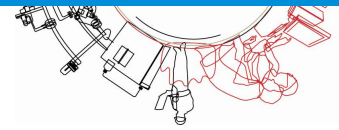
Movement in the allowance for Doubtful Debts

	As at December 31,	
	2008	2007
Opening Balance	\$270	\$329
Additional Provision	881	-
Amounts used	(268)	(59)
Closing Balance	\$883	\$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.



14. Financial instruments, continued:

(b) Foreign exchange risk

The Company earns revenue and records accounts receivable and sales leases receivable in foreign currency and translates these amounts to Canadian dollars at the time of these transactions. The Company does not use derivative instruments to mitigate the effects of foreign exchange changes between the recording date of the accounts receivable or sales leases receivable and the receipt of cash. The accounts receivable are short-term in nature. The sales leases receivable are of a longer term and are subject to fluctuations in the exchange rate of the US dollar. The effect of the foreign exchange changes have not been significant and foreign exchange gains and losses are included in income as they occur. The total foreign exchange gain (loss) during the year was \$16 (2007 - \$6).

(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.

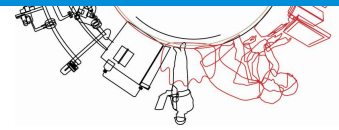
Liquidity risks associated with the Company's practice of growth through acquisition of complementary businesses are managed by structuring portions of the purchase price to be determined by post acquisition results of the acquired business. Based on the achievement of performance targets over the next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

Accounts payable and accrued liabilities are subject to industry standard terms of up to 90 days. 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 \$3,000.

(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.



14. Financial instruments, continued:

(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 1.2180
- 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	Carrying Amount 000's	Interest Rate Risk				Foreign exchange Rate Risk			
		-1%		+1%		-10%		+10%	
Assets		Equity	Earnings	Equity	Earnings	Equity	Earnings	Equity	Earnings
Cash and Cash Equivalents ¹	15	-	-	-	-	(3)	(3)	8	8
Accounts Receivable ²	12,133	-	-	-	-	(33)	(33)	88	88
Financial Liabilities									
Accounts Payable ³	3,131	-	-	-	-	18	18	(50)	(50)
Accrued Liabilities	3,106	-	-	-	-	-	-	-	-
Deferred Revenue	4,079	-	-	-	-	-	-	-	-
Total Increase (decrease)		-	-	-	-	(18)	(18)	46	46

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

- Sensitivity to a +1% movement in interest rates = \$15 X 1% = \$0.15
- Similarly for a -1% movement in interest rates = \$15 X 1% = \$(.15)
- Cash and cash equivalents include \$26 of USD denominated cash and cash equivalents. USD amount of foreign-denominated cash and cash equivalents as at December 31, 2008 = \$32/1.2180 = US\$26
- Sensitivity to a +10% variation in this foreign exchange = (US\$26 X 1.3180) - \$26 = \$8
- Similarly for a -10% variation in this foreign exchange = (US\$26 X 1.1180) - \$26 = (\$3)

2 Accounts receivable include \$277 of USD denominated receivables. USD amount of foreign -denominated debtors as at December 31, 2008 = \$337/1.2180 = US\$277

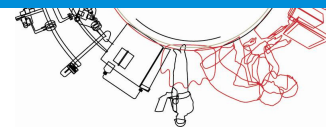
- Sensitivity to a +10% variation in this foreign exchange = (US\$277 X 1.3180) - \$277 = \$88
- Similarly for a -10% variation in this foreign exchange = (US\$277 X 1.1180) - \$277 = (\$33)

3 Accounts payable include \$156 of USD denominated payables. USD amount of foreign -denominated debtors as at December 31, 2008 = \$190/1.2180 = US\$156

- Sensitivity to a +10% variation in this foreign exchange = \$156 - (US\$156 X 1.3180) = (\$50)
- Similarly for a -10% variation in this foreign exchange = \$156 - (US\$156 X 1.1180) = \$18

(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



14. Financial instruments, continued:

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.

15. Credit Facilities

The Company has credit facilities of \$3,000 to cover the possibility of its cash needs during peak demand periods. The interest rate is at Royal Bank Prime plus 0.65%. Security consists of a general security agreement creating a security interest in all of the Company's personal property. The credit facility contains customary covenants covering working capital.

16. Capital Management

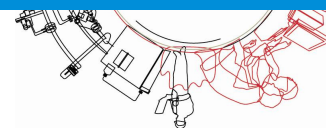
The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing opportunities for growth through acquisitions of complementary businesses.

The Company has no debt and defines capital as the Company's shareholders' equity excluding contributed surplus. The Company sets the amount of capital in proportion to risk and corporate growth objectives. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company does not have a policy of paying regular dividends to shareholders. This policy will be reviewed from time to time by the Board of Directors in the context of operational results, objectives for corporate growth, financial condition and other relevant factors.

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

The objectives, policies and processes described above remain consistent with the prior year.

	December 31, 2008	December 31, 2007
Share Capital	\$50,960	\$53,310
Deficit	(12,626)	(15,412)
Total	\$38,334	\$37,898



17. Segmented Information

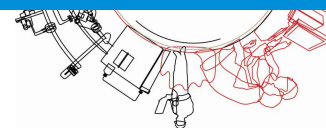
The Company determines its reportable segments based on the structure of its operations, which are focused in two principal business segments – production operations management and field operations management. The focus of these segments are as follows:

- The production 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 NE B.C. and NW Alberta, with the primary services including contract well operations, inspection and supervision.

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

The following information is selected financial information for the production operations management and field operations management segments for the year ended December 31, 2008:

For the year ended December 31, 2008	Production operations management	Field operations management	Total
Revenue	\$37,096	\$9,082	\$46,178
Income (loss) before stock based compensation, depreciation and amortization, disposal of assets, interest and income taxes	8,543	(384)	8,159
Amortization of capital assets and intangibles	3,772	55	3,827
Stock based compensation	1,513		1,513
Loss on disposal of assets	3		3
Interest (income)	(243)		(243)
Income (loss) before income taxes	3,498	(439)	3,059
Net income(loss)	2,489	(263)	2,226



17. Segmented Information (continued)

For the year ended December 31, 2008	Production operations management	Field operations management	Total
Total assets	51,794	2,123	53,917
Goodwill added in year	4,563	2,961	7,524
Total goodwill	15,703	2,961	18,664
Capital expenditures	5,223	72	5,295

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

18. Acquisitions

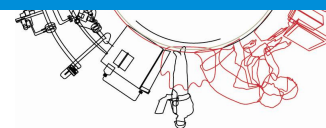
The following acquisitions were completed during the year ended December 31, 2008. The goodwill acquired in each case is not deductible for tax purposes.

(a) Acquisition of Universal Measurement Solutions Ltd.

On May 6, 2008, the Company completed the acquisition of all issued and outstanding shares of Universal Measurement Solutions Ltd. (UMS) by the wholly owned subsidiary, Zedi Canada Inc. effective May 1, 2008, paid for in cash. UMS is a private corporation based in Calgary, Alberta providing measurement and control services to the oil and gas industry. The operations of UMS are included in these consolidated statements from May 1, 2008 through December 31, 2008.

The fair value of the net assets acquired was:

<i>Net assets acquired:</i>	\$
Working capital	520
Property, plant and equipment	187
Future income tax liability	(122)
Intangibles – purchased software – see note 13 (c)	392
Goodwill – see note 13 (c)	542
	1,519
<i>Financed by:</i>	\$
Cash	999
Settlement of UMS debenture payable	520
Total purchase consideration	1,519



18. Acquisitions, continued

(b) Acquisition of OAS Oilfield Accounting Service Ltd.

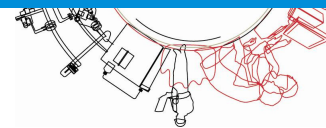
On October 31, 2008 the Company completed the acquisition of all issued and outstanding shares of OAS Oilfield Accounting Service Ltd. (OAS). OAS is a Calgary-based private corporation providing chart reading and integration services to the oil and gas industry. The operations of OAS are included in these consolidated statements from October 31, 2008 through December 31, 2008.

The fair value of the net assets acquired was:

<i>Net assets acquired:</i>		\$
Working capital		824
Property, plant and equipment		390
Future income tax liability		(587)
Intangibles		
Purchased software	\$ 1,305	
Office lease	253	
Employment contracts	327	
Customer relationships	205	
Trademark	2	
		2,092
Goodwill		4,397
		7,116
<i>Financed by:</i>		\$
Cash		7,116
Total purchase consideration		7,116

(c) Acquisition of J&J Oilfield Ltd.

On January 8, 2008 the Company completed the acquisition of all issued and outstanding shares of J & J Oilfield Ltd. ("J & J") by the wholly owned subsidiary, Zedi Canada Inc. effective January 1, 2008. The purchase price is comprised of an upfront payment and an earnout to a maximum aggregate payout of \$5 million. The amount of the upfront payment at closing was \$2.9 million, which was paid in cash. Based on the achievement of performance targets over the next five years, the shareholders of J & J have an opportunity to earn an additional amount up to a maximum of \$2 million, payable in cash and/or Zedi shares. The earnout performance targets have been set based on expected future growth from the performance level of J & J at the time of the acquisition. On an annual basis, following each fiscal year, a calculation will be completed based on a normalized EBITDA (Earnings Before Income Taxes Depreciation and Amortization) for the J & J operations and the growth over the prior year's performance. The maximum earnout will be achieved when EBITDA growth averages about 15% per year over the five year period. Earnout of \$321 has been accrued for the year ended December 31, 2008. The operations of J & J are included in these consolidated statements from January 1, 2008 through December 31, 2008.



18. Acquisitions, continued

The fair value of the net assets acquired was:

<i>Net assets acquired:</i>	\$
Working capital	1,664
Property, plant and equipment	135
Future income tax liability	(46)
Intangibles – employment contracts	195
Goodwill	2,644
	4,592
<i>Financed by:</i>	\$
Cash	4,592
Total purchase consideration	4,592

19. Commitments:

Operating leases:

The Company is committed to various operating leases for office premises and vehicles. The approximate annual base rental payments are as follows:

<i>(In thousands)</i>	
2009	\$ 1,134
2010	1,139
2011	1,077
2012	803
2013	447
Thereafter	630
	\$ 5,230

Under the terms of the leases, the Company is also responsible for its proportionate share of operating costs.