

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated April 29, 2005 should be read in conjunction with the unaudited interim consolidated financial statements as at and for the three months ended March 31, 2005 and 2004, and should also be read in conjunction with the audited consolidated financial statements and MD&A in the Company's Annual Report for the year ended December 31, 2004. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") except that the note disclosure in interim financial statements do not necessarily conform in all respects to the note disclosure requirements of GAAP for annual financial statements. Additional information is available on the Company's website (www.zedisolutions.com) and all previous public filings, including the annual information form (AIF) are available through SEDAR (www.sedar.com).

FORWARD-LOOKING STATEMENTS

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

OVERVIEW OF THE BUSINESS

zed.i solutions inc. ("the Company" or "zed.i") is a leading provider of innovative technologies for the management of production operations in the energy sector. The focus of our business is three fold. One is zed.i Field Intelligence, including electronic flow measurement and metering as well as optimization solutions that maximize production by controlling equipment in real-time. The second focus is zed.i's Web Services, comprised of network communications and software designed to manage the business information needs to link remote assets and production with operations, head office and throughout the enterprise. The third focus is zed.i's Service Culture, where we invest in our people and infrastructure across the organization to continually improve customer experience. Energy producers increase earnings through the use of digital information to improve the complex business processes that impact oil and gas production. Our intention is to continue to develop and commercialize technologies that improve cash flow from the reservoir to the point of sale for operations personnel from field and regional locations to head office.

CORPORATE STRATEGY AND VISION

The Company is committed to becoming the dominant solution provider for well monitoring and field operations management in Canada. zed.i's mission is to increase the earnings of energy producers. Over the past three years the Company has demonstrated a track record as a unique partner in delivering promised results. The Company has consistently provided production operations management with solutions that increase revenues and reduce costs and is seen as a partner in maximizing the customer's value.

The Company has established a revenue model that incorporates a recurring revenue stream. In fulfilling its vision to increase customer earnings, the Company is developing and delivering solutions that continue to build on the foundation of recurring revenue. The recently completed acquisitions of Menex® Technologies Inc. and Roughneck.ca™ Inc. both expand the solutions offered by zed.i and add recurring revenue streams. The Company continues to evaluate other strategic initiatives to enhance shareholder value.

Various international opportunities the Company is investigating with other partners present substantial opportunities for the Company but do not change the clear vision and strategy to maintain focus on the Canadian market. Early in 2004 zed.i announced international agreements to perform market feasibility studies with Sumitomo and Fuji and the Company continues with various efforts to pursue these international opportunities. While progress has been made, the Company is not projecting revenue in 2005 from these opportunities.

Similar to its product, the company has designed its business model to be scalable. Throughout its technology, marketing, sales and operations zed.i endeavours to structure in such a way that significant growth can be achieved with only modest expansion of resources. Strategically the company seeks significant growth rates and to consistently achieve a higher rate of earnings growth than revenue growth.

KEY PERFORMANCE INDICATORS

The Company monitors a number of key performance indicators including those set out below. In addition, the Company tracks a number of customer specific indicators.

- ❑ Recurring revenue as a percentage of Operations and SG&A (see selected quarterly information table for past eight quarters).
Growth of this indicator ensures that our decisions and actions are supporting a strategy of building a significant foundation of recurring revenue in relation to the size of the operations. This as well serves to measure our success in structuring our operations on a scalable basis.
- ❑ Gross revenue (see selected quarterly information table for past eight quarters performance).
This measure is an overall indication of our success and progress towards achieving a dominant position in the marketplace.
- ❑ Percent gross margin (see selected quarterly information table for past eight quarters performance).
This serves to measure our success in developing our products and services on a scalable basis.
- ❑ Earnings per share (see selected quarterly information table for past eight quarters performance).
As a primary measure of return to shareholders, this measure also ensures the acquisitions we make are accretive to shareholders.

EVENTS OR ACTIVITIES IMPACTING THE BUSINESS IN THE FIRST QUARTER

NEW FACILITIES The Company moved into new facilities in January consolidating operations previously housed in three locations. The move results in the complete integration of Menex® operations within the zed.i manufacturing and order fulfillment operations. For a two to three week period there was some disruption in delivery of product, which had some impact on revenue, which is only recognized upon shipment. As well, additional costs were experienced in the move but increased efficiencies will reduce costs going forward.

ROUGHNECK™ ACQUISITION On April 6, 2005 the Company completed the acquisition of all the issued and outstanding shares of Roughneck.ca™ Inc., a leading provider of comprehensive Operations Management Software for the Canadian oil & gas industry. The solutions provided by Roughneck™ include Emissions Management, Asset Management, Preventative Maintenance & Compliance Management, and Health, Safety & Environment Program Management. The purchase price payable to Roughneck™ shareholders on closing was \$2.4 Million and based on the achievement of 2005 revenue performance targets, the Roughneck™ shareholders can earn up to \$4.384 Million over and above the initial payment. Roughneck™ shareholders received 50% of the consideration paid on closing in cash and 50% in common shares of zed.i. The earnout will be paid as 20% cash and 80% in zed.i shares

The combined value of the two companies will impact customer earnings through solutions designed to increase revenues and reduce costs. Our aim is to be recognized by energy producers as the emerging standard in production operations management, with solutions and services that increase run time, optimize production, improve decision-making, increase worker safety and reduce liabilities associated with regulatory reporting and compliance. Our short-term goal will be to integrate the zed.i Field Intelligence applications Smart-Alek® and MTRAC® with the broad suite of Roughneck's™ asset, workflow and compliance management services, via an expanded zed.i Web Services platform.

The Roughneck™ acquisition represents a key milestone in zed.i's strategy to create a technology services company focused on oil and gas operations management. The Company sees a significant opportunity to provide customers with a suite of technologies and applications that deliver transparent, reliable and accurate production and operations management information to all stakeholders. The transaction is anticipated to be immediately accretive to zed.i's earnings and cash flow per share. Roughneck™ reported a profit of approximately \$110,000 in the fourth quarter of 2004 and has established a significant sales pipeline. Similar to zed.i, Roughneck's™ revenue model includes a recurring revenue stream.

EARLY "SPRING BREAK-UP" Alberta experienced an early spring this year, which has a significant impact on projects where access is limited to winter months. The oil and gas industry typically experiences a slow down during "spring break-up" recovering somewhat once drying is sufficient to allow summer access to some locations. Spring break-up normally occurs near the end of the first quarter and therefore primarily impacts the second quarter. Our first quarter results similarly reflect the impact of early spring.

NEW STAFF The Company is continuing to grow, adding eight new staff in the first quarter, which represents a 10% increase in staff. The new staff was primarily in the areas of engineering, marketing and sales. We anticipate the new staff will have a positive impact on revenues and accelerate the integration of the Web Services aspect of the business.

SELECTED QUARTERLY INFORMATION

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

(expressed in \$000's except per share and % amounts)	2005		2004				2003	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenues	5,194	5,916	4,366	4,241	3,761	2,884	1,887	2,414
Recurring Revenue ⁽¹⁾ as a % of Operation Expenses ⁽²⁾	70%	58%	61%	49%	33%	30%	28%	26%
Percent Gross Margin	42%	44%	43%	39%	39%	34%	37%	36%
Income (Loss)	298	866	318*	198*	(274)*	(434)	(577)	(545)
Income (Loss) (per share) – basic and diluted	0.003	0.009	0.004*	0.003*	(0.004)*	(0.010)	(0.010)	(0.010)

Note: (1) Recurring Revenue includes all fees that are billed to customers on a recurring basis.

(2) Operational expenses are all expenses except for R&D and Stock-based compensation.

(*) Restatement of 2004 Quarterly financial statement information (\$000's):

The stock-based compensation expense (a non-cash expense item) was calculated incorrectly for each of the three 2004 quarterly financial statements. Stock-based compensation for the three months ended March 31, June 30 and September 30, 2004, previously reported as \$89, \$131 and \$174, has been restated to \$438, \$91 and \$124 respectively. As a result, net loss for the three months ended March 31, June 30 and September 30, 2004, previously reported as \$75, \$158 and \$268 has been restated to \$(274), \$198 and \$318 respectively. Similarly, net loss per share, for the three months ended March 31, June 30 and September 30, 2004, previously reported as \$0.001, \$0.002 and \$0.003 has been restated to \$(0.004), \$0.003 and \$0.004 respectively. In addition, the change to opening deficit as at January 1, 2004, as a result of adopting the new standard of accounting for stock-based compensation, previously reported as \$213, has been restated to \$410.

COMMENTS ON TRENDS Revenue continues to demonstrate strong year over year growth. As discussed in the section on events and activities in the first quarter, there were some unique factors that had a negative impact on first quarter revenues. In spite of the fact that there are various factors that can cause fluctuations in quarterly revenue, as has been experienced in prior years as well, the Company expects to continue to produce strong year over year growth.

Recurring revenue as a percentage of operational expenses is continuing to grow as expected. This indicates success in achieving a scalable business model.

Percent gross margin is tracking slightly above the range projected by management.

Income in the first quarter is lower than expected primarily due to the revenue factors discussed above.

RESULTS OF OPERATIONS—FIRST QUARTER

REVENUE The Company is reporting strong quarter over quarter revenue growth in the first quarter.

The Company generated revenues of \$5,194,000 for the three months ended March 31, 2005 as compared to \$3,761,000 for the three months ended March 31, 2004. This represents an increase of 38%, and is mostly attributed to growth in revenues from the install base of the Company's digital gas well-monitoring solution, the Smart-Alek®.

COST OF SALES The cost of sales for the three months ended March 31, 2005 was \$3,003,000 resulting in a 42% margin compared to a 39% margin on cost of sales of \$2,278,000 for the same period in 2004. The increase in margins is primarily attributable to growth of the recurring revenue stream for network services fees, which has higher margins.

OPERATING EXPENSES Operating expenses include compensation and benefits of the information technology, customer support, purchasing, shipping, quality and assurance and operations departments, facility cost for Edmonton, Alberta and all related expenditures for these departments.

Operating expenses for the quarter ended March 31, 2005 was \$396,000, which is higher than the same period for 2004 by \$121,000 or 44%. The increase is primarily attributed to the addition of Menex® operations, which were added in July of 2004, as well as some growth in operations overall. Operating expense, as a percentage of revenue was 8% for the quarter ended March 31, 2005, as compared to 7% for the same quarter in 2004. The Company continues to seek to minimize operating expenses through effective outsource contracts and streamlined processes. The consolidation of operations in one facility will result in increased efficiencies later in the year. The Company is forecasting growth in operating expenses as the Roughneck™ operations are absorbed in the second quarter.

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

SG&A expense was \$715,000 for the first quarter ended March 31, 2005. This expense was \$165,000 more during the quarter ended March 31, 2005, compared to the same quarter last year. This is due to staff and expenses from the acquisition of Menex® Technologies and higher sales commissions paid on higher sales numbers. SG&A expense as a percentage of revenue was 14% for the quarter ended March 31, 2005 as compared to 15% for the same quarter in 2004. The Company continues to monitor marketing and sales expenditures to ensure that they remain aligned with targeted opportunities as well as prevailing market conditions. While SG&A will continue to experience some growth in the coming quarters, the Company is committed to finding opportunities to continually reduce SG&A as a percentage of revenue.

RESEARCH & DEVELOPMENT The accounting policy has been and continues to be as set out in our December 31, 2004 MD&A and notes to Financial Statements, as follows: the Company is engaged in research and development work. Research costs are expensed as incurred. Development costs are expensed in the period incurred, unless they meet the criteria for deferral established by GAAP. Further, in accordance with GAAP, development costs are deferred only to the extent that their recovery can reasonably be regarded as assured. Management reviews the applicable criteria on a regular basis and if the criteria are no longer met, any remaining unamortized balance is written off as a charge to income. Research and development costs are reduced by any scientific research tax credits.

The Company takes a conservative approach in the application of the deferred development policy and in the prior three years it expensed all development costs. This was considered appropriate because the Company was commercializing a new product that it had not sold before and the Company had significant losses and relatively low working capital. With the significant market acceptance and growth in earnings experienced in 2004 as well as the current strong working capital position, the Company has begun to defer a portion of development costs, to be amortized over a three-year period. The three-year period is consistent with the historical lifecycle of prior product versions and more appropriately matches the product revenue stream with its development costs.

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

The total R&D expense was \$556,000 in the first quarter 2005 from \$340,000 in the first quarter of the prior year. The total R&D expense as a percentage of revenue was 10.7% for the quarter ended March 31, 2005 as compared to 9% for the same quarter in 2004. The Company capitalized \$361,000 development costs in the first quarter and expensed \$195,000. The overall increase in R&D activity primarily reflects the addition development activity related to the integration of the Menex® technology and a new Smart-Alek® model.

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

Using the fair value method, with respect to options issued since January 1, 2005, the Company's compensation costs were \$361,000 for the quarter ended March 31, 2005, which has been expensed.

NET EARNINGS The overall net income for the first quarter, 2005 was \$298,000 or \$0.003 per share compared to a net loss of \$274,000 or \$0.004 per share for the same period in 2004 for an overall increase of \$572,000.

The increased market penetration and adoption of the Company's Smart-Alek® solution enabled the positive first quarter 2005 result.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash balance at March 31, 2005 was \$4,488,000, an increase of \$112,000 from the 2004 fourth quarter. As at March 31, 2005 the Company had positive working capital of \$13,862,000.

The Company experiences two normal trends that impact liquidity throughout the year. Inventory build up and annual fee billing. The Company's inventory typically peaks through the winter months reflecting the buildup for the peak activity period. The Company bills network fees on an annual basis and this results in a growth in cash in the second quarter as these billings are received. This results as well in an increase in the deferred revenue as the revenue is recognized on a monthly basis for network fees and the unrecognized revenue appears in the deferred revenue until it is earned.

Based on current projections the Company has sufficient working capital required to achieve projected sales and production levels, as sales increase.

The Company had capital spending of \$723,000 during the first quarter of 2005 funded from the cash flow from operations. Spending was as follows:

Computer Hardware	\$ 104,000
Computer Software	\$ 239,000
Furniture & Equipment	\$ 17,000
Manufacturing Tools & Equipment	\$ 2,000
Deferred Development Costs	\$ 361,000

Proposed capital spending for the balance of 2005 is \$2,263,000, which will be funded from cash flow from operations. The Company has no commitments for capital expenditures and therefore may adjust capital spending throughout the year depending on results.

OUTLOOK

The Company will continue to communicate the business value of its solutions suite of products, now including the Roughneck™ software, to producers and the positive impact on their earnings performance. The Company has had success in expanding sales while containing costs. The Company remains firmly focused on improving customer service and maintaining strong financial discipline.

The Company has made significant progress over the past eight quarters, continuing to demonstrate the scalability and growth potential of the Company's business model and products. Throughout 2005 we expect to see increasing contribution from the Menex® and Roughneck™ products to the Company's bottom line. The continued growth of the recurring revenue stream through 2005 will further establish the financial stability necessary to move the Company closer to a dominant position in the Canadian remote gas monitoring market.

Management is pleased with the positive response of customers to the performance of the Smart-Alek® and expects the increasing adoption of the Smart-Alek® as the solution of choice to improve earnings will continue.

With the acquisitions of Menex® and Roughneck™, the Company will strengthen its capability to maximize the earnings of energy producers with its operation solutions. Over the next six to nine months the Company will continue the integration of the MTRAC® and Roughneck™ technology to create plug and play solutions for monitoring, controlling and managing well site conditions.