

CONSOLIDATED BALANCE SHEETS

As at (in thousands)	March 31 2005 (unaudited)	December 31 2004 (unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,488	\$ 4,376
Accounts receivable	6,976	5,599
Inventories	5,763	4,325
Sales leases receivable, current portion	225	207
Prepaid expenses and deposits	232	345
	17,684	14,852
Sales leases receivable, long-term portion	297	366
Capital assets (net)	1,689	1,120
Intangibles	4,032	4,155
Goodwill	3,394	3,394
	\$ 27,096	\$ 23,887
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,425	\$ 1,314
Deferred revenue	2,397	–
Current portion of long-term debt	–	4
	3,822	1,318
Long-term debt	65	65
	3,887	1,383
Shareholders' equity		
Share capital (Note 4)	47,632	47,567
Contributed surplus	1,133	791
Deficit	(25,556)	(25,854)
	23,209	22,504
	\$ 27,096	\$ 23,887

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(in thousands, except share and per share amounts)	Three Months March 31, 2005 (unaudited)	Three Months March 31, 2004 (unaudited) (Restated Note 3)
Sales	\$ 5,194	\$ 3,761
Cost of sales	3,003	2,278
Gross profit	2,191	1,483
Expenses		
Operations	396	275
Sales, general and administrative	715	550
Stock-based compensation	361	438
Research and development	195	340
	1,667	1,603
Income/Loss before the undernoted	524	(120)
Amortization of capital assets and intangibles	273	93
Gain on disposal of assets	(3)	(10)
Interest	(44)	71
	226	154
Net Income (loss)	298	(274)
Deficit, beginning of period, as previously reported:	(25,854)	(26,141)
Adjustment for change in accounting policy (Note 3)		(410)
Deficit, beginning of period, as restated	(25,854)	(26,551)
Deficit, end of period	\$ (25,556)	\$ (26,825)
Net Income (loss) per common share - Basic and Diluted	0.003	(0.004)
Weighted average number of common shares	95,614,799	62,211,357

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months March 31, 2005 (unaudited)	Three Months March 31, 2004 (unaudited)
		(Restated Note 3)
Cash Provided by (used in) Operations		
Net income (loss)	\$ 298	\$ (274)
Adjustments for:		
Amortization	273	93
Gain on disposal of assets	(3)	(10)
Stock-based compensation	361	438
Changes in non-cash operating working capital	(143)	803
	786	1,050
Financing		
Proceeds from shares issued	46	625
Repayment of long-term debt	(4)	(611)
Repayment of capital lease obligations	–	(1)
	42	13
Investing		
Acquisitions of capital assets	(723)	(29)
Proceeds on disposal of assets	7	19
	(716)	(10)
Increase in cash position	112	1,053
Cash and cash equivalents, beginning of period	4,376	1,356
Cash and cash equivalents, end of period	\$ 4,488	\$ 2,409
<i>See accompanying notes to consolidated financial statements.</i>		
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ –	\$ 81
Components of cash and cash equivalents		
Cash	1,412	1,213
Cash equivalents	3,076	1,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim financial statements for the period ended March 31, 2005 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2004, as the interim financial statements do not necessarily conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements.

The interim financial statements are prepared in accordance with the same accounting policies and methods of their application as the audited consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2004.

[1] NATURE OF OPERATIONS

zed.i solutions inc. (the "Company") is engaged in the development, production and sale of high technology products 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 and Grande Prairie Canada.

zed.i solutions inc. is a leading provider of innovative optimization technologies for the management of production operations in the energy sector. The Company's solutions focus on well site infrastructure (flow measurement, metering shacks, optimization, well bore manipulation, plunger lift control, booster compression) and the business information needs that link the field with head office and throughout the enterprise.

[2] 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, zed.i solutions (Canada) inc., zed.i solutions (USA) inc., and Quail Hill Mining Corporation. All significant inter-company accounts and transactions have been eliminated. Quail Hill Mining Corporation is dormant and has no operations.

(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 and the recoverable amounts for inventories, capital assets, intangible assets, deferred development costs and goodwill are the more significant items subject to estimates in these financial statements.

(C) 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.

(D) GUARANTEES On January 1, 2003, the Company adopted CICA Accounting Guideline 14, "Disclosure of Guarantees" ("AcG-14"), that requires the disclosure of significant guarantees without regard as to whether the Company will have to make any payments under the guarantees and in addition to the accounting and disclosure requirements of CICA Handbook 3290, "Contingencies". The Company believes there are no material guarantees which require disclosure.

(E) STOCK-BASED COMPENSATION The Company has two stock-based compensation plans, a stock option plan and an employee share trust. The Company accounts for stock options using the fair value based method beginning January 1, 2004. 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. In accordance with Handbook Section 3870, the Company has applied the fair value based method to all employee stock options granted after January 1, 2002, but has not restated all prior periods.

[3] CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

On January 1, 2004, Canadian accounting standards require recognition of compensation expense arising out of stock-based compensation plans using the fair value based method. The Company adopted this requirement, retroactively without restatement of prior periods, as permitted by the CICA Handbook Section 3870. Under the fair value based method, compensation cost is measured at fair value at the date of the grant and expensed over the award's vesting period. Using the fair value method, with respect to options issued since January 1, 2002, the Company's compensation costs were \$410,000 applied to the deficit for prior years and \$754,000 for the year ended December 31, 2004.

Restatement of 2004 Quarterly financial statement information:

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, 2004, previously reported as \$89,000, has been restated to \$438,000. As a result, net loss for the three months ended March 31, 2004, previously reported as \$75,000, has been restated to \$(274,000). Similarly, net loss per share, for the three months ended March 31, 2004, previously reported as \$0.001, has been restated to \$(0.004).

[4] 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		Year Ended	
	March 31, 2005		December 31, 2004	
	Number	Amount	Number	Amount
Balance outstanding, beginning of period	95,564,576	\$47,693,244	60,607,467	\$ 30,514,632
Shares issued:				
Issued pursuant to acquisition of Menex®	–	–	4,347,780	4,999,947
Debentures converted	–	–	21,970,500	4,394,100
Stock options exercised (note 4(b))	121,121	56,870	2,113,829	916,733
Shares issued pursuant to Private financing	–	–	6,525,000	6,867,832
	95,685,697	47,750,114	95,564,576	47,693,244
Repurchase of shares from employee trust (note 4(h))	–	–	–	–
Balance outstanding, end of period	95,685,697	47,750,114	95,564,576	47,693,244
Less employee share trust Plan (note 4(g))	–	(118,121)	–	(126,121)
Balance outstanding, end of period	95,685,697	\$47,631,993	95,564,576	\$47,567,123

(B) **STOCK OPTIONS EXERCISED** During the three months ended March 31, 2005, 121,121 stock options were exercised for proceeds of \$56,870.

(C) **SHARES HELD IN ESCROW** The following is a summary of the Company's common shares held in escrow:

Balance outstanding, beginning of period	–
Shares in escrow	1,133,846
Shares released from escrow in the period	(485,929)
Balance outstanding, end of period	647,917

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

During the three months ended March 31, 2005, a total of 1,937,834 options were granted. On November 8, 2002, the Company's Board of Directors approved a re-pricing of 1,062,200 options, held by employees who were not executives or officers, at an exercise price of \$0.20.

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

A summary of the status of the plan as at March 31, 2005, is presented below:

	March 31, 2005		December 31, 2004	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	4,669,239	\$ 0.36	3,940,367	\$ 0.32
Granted	1,937,834	2.32	2,965,167	0.67
Exercised	(121,121)	0.03	(2,113,829)	0.37
Expired/cancelled	(14,002)	0.18	(122,466)	1.07
Outstanding, end of year	6,471,950	\$ 0.36	4,669,239	\$ 0.36
Options exercisable, end of period	3,548,519		2,861,072	

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.20	1,082,605	0.6 yrs	\$ 0.20	1,040,938	\$ 0.20
\$0.40	150,000	0.8 yrs	0.40	50,000	0.40
\$0.42	1,662,511	0.8 yrs	0.42	1,277,178	0.42
\$0.50	989,000	0.9 yrs	0.50	989,000	0.50
\$0.62	10,000	0.9 yrs	0.62	3,333	0.62
\$1.50-\$2.88	2,577,834	1.6 yrs	2.15	188,070	1.94
\$0.20-\$2.88	6,471,950	1.1 yrs	\$ 0.55	3,548,519	\$ 0.46

[4] SHARE CAPITAL (continued)

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.

	2005	2004
Risk free interest rate	4.87%	4.87%
Expected life in years	3.0	3.0
Volatility	86%	104%

(E) **EMPLOYEE SHARE TRUST** The Company previously established an employee share trust through an interest-free loan of \$1,250,000 to enable the trust to purchase 1,250,000 shares from treasury. Under the terms of the trust deed, the shares vest monthly over a period of five years from the date of the beneficiaries' first day of employment with the Company. The beneficiaries have an option to purchase vested shares from the trust at \$1.00 per share. The loan is repayable by the trust proportionately as shares are transferred to employees. The option period for each beneficiary ends at varying dates upon resignation or termination of employment. Further, the trust agreement provides that 25% of the 1,250,000 shares designated for purchase under the trust agreement expire on each of September 1, 2002 through 2005. The trust agreement also provides that upon expiry of the designated shares, the Company will repurchase such shares at \$1.00 per share.

As at March 31, 2005, all of the 118,121 remaining shares have vested.

A summary of the status of the plan as at March 31, 2005, is presented below:

	March 31, 2005 Number	December 31, 2004 Number
Balance outstanding, beginning of period	126,121	337,654
Shares issued	(8,000)	(211,533)
Balance outstanding, end of period	118,121	126,121

[5] SUBSEQUENT EVENTS

On April 6, 2005 the Company completed the acquisition of all the issued and outstanding shares of Roughneck.ca™ Inc. 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.