

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the United States Securities Act of 1933.

PROSPECTUS

Initial Public Offering

March 21, 2001

zed.i solutions inc.

TM



**Up to \$10,000,000
Up to 10,000,000 Units
and**

2,095,000 Common Shares Issuable upon the Exercise of Special Warrants

The units ("Units") offered hereby (the "Offering") are to be issued by zed.i solutions inc. ("the Corporation") at a price of \$1.00 per Unit (the "Offering Price") to purchasers resident in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Selling Provinces"). Each Unit is comprised of one common share ("Common Share") in the capital of the Corporation and one-half of one common share purchase warrant ("Purchase Warrant"). Each whole Purchase Warrant will entitle the holder thereof to acquire one Common Share upon payment of the exercise price of \$1.35 at any time prior to 5:00 p.m. (Calgary time) on the date which is 12 months from the date the Purchase Warrants are issued by the Corporation. Yorkton Securities Inc. ("Yorkton"), FirstEnergy Capital Corp. and Acumen Capital Finance Partners Limited (collectively, the "Agents") conditionally offer for sale the Units, subject to prior sale, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Bennett Jones LLP on behalf of the Corporation and Burnet, Duckworth & Palmer LLP on behalf of the Agents. The Offering Price and the allocation of the Offering Price between the Common Shares and the Purchase Warrants comprising the Units was determined by negotiation between the Corporation and the Agents. **There is currently no market for the Purchase Warrants and none is expected to develop.**

2,095,000 Common Shares are also being qualified for distribution to the public pursuant to this Prospectus, such Common Shares to be issued for no additional consideration upon exercise or deemed exercise of 2,095,000 special warrants ("Special Warrants") of the Corporation previously issued by way of private placement exemptions under applicable securities legislation (the "Private Placement"). The Special Warrants were issued and sold at a price of \$1.00 per Special Warrant pursuant to an agency agreement dated December 22, 2000 between the Corporation and Yorkton (the "Special Warrant Agency Agreement"). The issue price of the Special Warrants was determined by negotiation between the

Corporation and Yorkton. **There is currently no market for the Special Warrants and none is expected to develop.**

Price: \$1.00 per Unit

	Price to the Public	Agents' Fee ⁽¹⁾⁽²⁾	Net Proceeds to the Corporation ⁽³⁾
Per Unit	\$1.00	\$0.08	\$0.92
Total Units	\$10,000,000	\$800,000	\$9,200,000
Per Special Warrant	\$1.00	\$0.08	\$0.92
Total Special Warrants	\$2,095,000	\$166,600	\$1,928,400

Notes:

- (1) Pursuant to the terms of the Special Warrant Agency Agreement, the Corporation paid a commission to Yorkton equal to approximately 8% of the gross proceeds from the sale of Special Warrants under the Private Placement. The Corporation also granted Yorkton 209,500 broker's warrants (the "Broker's Warrants") being 10% of the Special Warrants issued under the Private Placement. Each Broker's Warrant entitles the holder thereof to acquire, subject to adjustment, one compensation option of the Corporation (the "Broker's Options") for no additional consideration. Each Broker's Option will entitle the holder thereof to acquire, subject to adjustment, one Common Share at a price of the greater of the offering price and \$1.00 per share at any time and from time to time prior to 5:00 p.m. (Calgary time) on the date which is 18 months from the later of: (i) the date of closing of the Offering; and (ii) completion of the Amalgamation. The distribution of the Broker's Options upon the exercise of the Broker's Warrants is also qualified under this Prospectus.
- (2) Pursuant to the terms of the Agency Agreement, the Corporation agreed to pay the Agents a fee equal to 8% of the gross proceeds from the sale of Units under the Offering. The Corporation will also grant the Agents that number of compensation options of the Corporation (the "Agents' Options") equal to 10% of the Units issued under this Offering, for no additional consideration. Each Agents' Option will entitle the holder thereof to acquire, subject to adjustment, one Unit at a price of \$1.00 per Unit at any time and from time to time prior to 5:00 p.m. (Calgary time) on the date which is 18 months from the later of: (i) the date of closing of the Offering; and (ii) completion of the Amalgamation. The distribution of the Agents' Options is also qualified under this Prospectus.
- (3) Before deducting the expenses associated with the Offering which are estimated at \$75,000 which will be paid from the general funds of the Corporation.
- (4) In the opinion of counsel, the Units are not as at the date hereof, precluded as investments under certain statutes as set out under "Eligibility

The Offering is not subject to a minimum subscription level and, therefore, all proceeds raised under the Offering will be available to the Corporation. See "Use of Pro

An investment in the Units should be considered highly speculative due to the nature of the Corporation's business and its early stage of development. The Units are suitable only for investors who are able to accept the risks inherent in the Corporation's business. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the Units. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See "Risk Factors".

Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at no additional cost, at any time and from time to time until 5:00 p.m. (Calgary time) on the earlier of (the "Expiry Date"): (i) the fifth business day following the date upon which a final receipt for this Prospectus has been issued by the last of the securities regulatory authorities in each of the provinces of Alberta, British Columbia and Ontario (the "Qualifying Jurisdictions"); (ii) on the date immediately prior to the effective date of any amalgamation or plan of arrangement pursuant to the *Business Corporations Act* (Alberta) ("ABCA") involving the Corporation pursuant to which, among other things, a holder of a Special Warrant would be entitled to a freely trading share in the company resulting from the amalgamation or plan of arrangement in exchange for each Special Warrant held; and (iii) the first business day that is 365 days after the date the Corporation becomes a reporting issuer in the province of residence of the holder of the Special Warrant. Certificates representing the Common Shares will be available for mailing within five business days following the exercise or deemed exercise of Special Warrants.

If a receipt for this prospectus has not been issued by the last of the securities commissions in the Qualifying Jurisdictions by March 22, 2001, the holders of Special Warrants shall be entitled to receive

1.1 Common Shares (in lieu of one Common Share) for each Special Warrant exercised or deemed to be exercised thereafter, without further payment on the part of the Special Warrant holder.

The Canadian Venture Exchange Inc. ("CDNX") has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling the requirements of the CDNX. See "The Proposed Amalgamation – Stock Exchange Listing".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. **It is a condition of the Offering that the Amalgamation (as described herein) be completed prior to the closing of the Offering. See "The Proposed Amalgamation". The closing of the Offering is expected to occur on or about March 30, 2001, or such later date as may be agreed upon by the Agents and the Corporation.** Certificates representing the Common Shares and Purchase Warrants comprising the Units will be available for delivery at the closing.

The names and addresses of the Agents are as follows:

Yorkton Securities Inc.
2200, 440 – 2nd Avenue S.W.
Calgary, Alberta

FirstEnergy Capital Corp.
1600, 333 – 7th Avenue S.W.
Calgary, Alberta

Acumen Capital Finance
Partners Limited
200, 513-8th Avenue S.W.
Calgary, Alberta

Tel: (403) 260-8400
Fax: (403) 269-7870

Tel: (403) 262-0600
Fax: (403) 262-0688

Tel: (403) 571-0300
Fax: (403) 571-0313

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SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise stated, all of the dollar amounts expressed in this prospectus are stated in Canadian dollars.

THE CORPORATION

The Corporation is a technology company engaged in the business of providing intelligent, remote access, wireless equipment and technology for asset monitoring and real-time measurement for the oil and natural gas and pipeline industries.

The Corporation has designed and developed a unique remote monitoring instrument that is part of a system solution it calls the Smart-Alek™. The Smart-Alek™ is both an intelligent field instrument and an integrated and complete Web-based information system. The Smart-Alek™ was designed around a system concept which the Corporation calls the FINE™ system. FINE™ is an acronym that stands for Field Intelligence, a communications and processing Network and an End User interface. The foundational element of this system is the Smart-Alek™ instrument whose primary function is to convert the physical parameters of pressure, temperature and flow into digital information. The digital information is stored in the device, then compressed and encrypted for transmission via a public wireless service. As a system, the Smart-Alek™ enables a customer to know pipeline or well performance on a just-in-time or real-time basis. The data can be analyzed automatically to spot trends in well performance using predetermined parameters established by the customer. This permits the Smart-Alek™ to send alarms, enabling operators to respond to problems before they become costly. The Smart-Alek™ is a Web-enabled product so the data can be made available simultaneously to all those who need it, anywhere in the world. While the current version of the Smart-Alek™ is targeted for application on gas wells and pipelines, the technology employed may be reusable in other markets.

Following field trials and market surveys to research the needs and expectations of major, intermediate and junior oil and gas producers, the Corporation has commenced commercial production of Version 1.0 of the Smart-Alek™ at its facility in Edmonton, Alberta.

The Corporation currently sells a number of its existing electronic measurement and monitoring products into the market place, however, the Corporation expects to place less emphasis on these products as sales for the Smart-Alek™ grows. See "Business of the Corporation - Legacy Products". Management believes that the Smart-Alek™ and the FINE™ System represent a significant improvement to known existing remote measurement systems which operate in hazardous environments. See "Smart-Alek™".

In 2000 the Corporation raised, through various private placements of equity and special warrants, gross proceeds of approximately \$8.1 million. On November 15, 2000 the Corporation agreed to amalgamate with Colony Pacific Explorations Ltd., a company listed on The Toronto Stock Exchange and the Canadian Venture Exchange Inc. See "Business of the Corporation Recent Developments" and "The Proposed Amalgamation".

PUBLIC OFFERING

The Offering

Up to 10,000,000 Units being offered at a price of \$1.00 per Unit for expected net proceeds of \$9,200,000. Each Unit is comprised of one Common Share and one-half of one Purchase Warrant. Each whole Purchase Warrant will entitle the holder thereof to acquire one Common Share upon payment of the exercise price of \$1.35 at any time prior to 5:00 p.m. (Calgary time) on the date which is 12 months from the date the Purchase Warrants are issued by the Corporation.

Qualification on Conversion of Previously Issued Securities

2,095,000 Common Shares are also being qualified for distribution to the public pursuant to this prospectus, such Common Shares to be issued for no additional consideration upon exercise or deemed exercise of 2,095,000 Special Warrants previously issued under the Private Placement. The Special Warrants were issued and sold at a price of \$1.00 per Special Warrant pursuant to the Special Warrant Agency Agreement. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at no additional cost, at any time and from time to time until 5:00 p.m. (Calgary time) on the Expiry Date. If a receipt for this prospectus has not been issued by the last of the securities commissions in the Qualifying Jurisdictions by March 22, 2001, the holders of Special Warrants shall be entitled to receive 1.1 Common Shares (in lieu of one Common Share) for each Special Warrant exercised or deemed to be exercised thereafter, without further payment on the part of the Special Warrant holder. This prospectus also qualifies the distribution of Broker's Options upon the exercise of the Broker's Warrants. See "Plan of Distribution".

Use Of Proceeds

The Offering is not subject to a minimum subscription level and, therefore, all proceeds raised under the Offering will be available to the Corporation. Assuming the maximum number of Units are sold under the Offering, the net proceeds from the sale of the Units are estimated to be \$9,125,000 after deducting expenses of the issue estimated at \$75,000 and the Agents' fees. The net proceeds received by the Corporation from the issue and sale of the Special Warrants was \$1,928,400. The estimated consolidated working capital as at February 28, 2001 was \$1,200,000. The Amalgamation will be completed prior to the closing of the Offering. Therefore, the Corporation will have approximately an additional \$1,400,000 in working capital available to it upon completion of the Amalgamation. The net proceeds from the Offering of approximately \$9,125,000 and the estimated consolidated working capital of \$2,600,000 will be used to pursue the business plan of zed.i solutions inc. and for general corporate purposes.

In the event that the Corporation does not raise any proceeds under the Offering, the Corporation expects to use the estimated consolidated working capital of \$2,600,000 as follows:

	<table> <tr> <th>Use</th><th>Total</th></tr> <tr> <td>Manufacture of the Smart-Alek TM</td><td>\$1,000,000</td></tr> <tr> <td>Marketing of the Smart-Alek TM</td><td>\$1,000,000</td></tr> <tr> <td>Working Capital</td><td>\$600,000</td></tr> </table> If the maximum number of Units are sold under the Offering, the Corporation expects to use the net proceeds from the Offering of \$9,125,000 and the estimated working capital of \$2,600,000 as follows: <table> <tr> <th>Use</th><th>Total</th></tr> <tr> <td>Manufacture of the Smart-Alek TM</td><td>\$7,000,000</td></tr> <tr> <td>Research and Development</td><td>\$2,500,000</td></tr> <tr> <td>Marketing of the Smart-Alek TM</td><td>\$1,500,000</td></tr> <tr> <td>Working Capital</td><td>\$725,000</td></tr> </table> There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives. See "Business of the Corporation" and "Use of Proceeds".	Use	Total	Manufacture of the Smart-Alek TM	\$1,000,000	Marketing of the Smart-Alek TM	\$1,000,000	Working Capital	\$600,000	Use	Total	Manufacture of the Smart-Alek TM	\$7,000,000	Research and Development	\$2,500,000	Marketing of the Smart-Alek TM	\$1,500,000	Working Capital	\$725,000
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Research and Development	\$2,500,000																		
Marketing of the Smart-Alek TM	\$1,500,000																		
Working Capital	\$725,000																		
Risk Factors	An investment in the Units should be considered highly speculative due to the nature of the Corporation's business and its early stage of development. The Units are suitable only for investors who are able to accept the risks inherent in the Corporation's business. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the Units. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See "Risk Factors".																		
Dividend Policy	No dividends have been paid on any Common Shares since the date of its Incorporation. The future payment of dividends will be dependent upon the financial requirements of the Corporation to finance for future growth, the financial condition of the Corporation and other factors which the board of directors of the Corporation may consider appropriate in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future with respect to the Common Shares. See "Dividend																		
RRSP Eligibility	In the opinion of counsel, provided that the Common Shares are listed on a prescribed stock exchange in Canada, the Common Shares comprising the Units offered hereby will, on the date of listing of such shares, be eligible for investment by registered retirement savings plans. See "Eligibility for Investment".																		

Selected Financial Information

The following selected consolidated financial data of the Corporation should be read in conjunction with the consolidated financial statements and related notes included in this prospectus.

Consolidated Balance Sheet

	December 31, 2000	December 31, 1999	August 31, 1998
Assets			
Current Assets	\$3,553,362	\$2,875,861	\$2,720,185
Non-current Assets	2,008,586	1,678,792	2,532,888
Total Assets	\$5,561,948	\$4,554,653	\$5,253,073
Liabilities			
Current Liabilities	\$2,049,574	\$2,455,370	\$2,829,562
Long Term Liabilities	806,992	1,081,758	300,000
Shareholders' Equity	2,705,382	1,017,525	2,123,511
Total Liabilities	\$5,561,948	\$4,554,653	\$5,253,073

Consolidated Statement of Operations and Deficit

	Year Ended December 31, 2000	Sixteen Months Ended December 31, 1999	Year Ended August 31, 1998
Revenues	\$3,752,231	\$5,159,672	\$4,449,871
Cost of Sales	1,759,358	1,341,771	716,464
Gross Profit	\$1,992,873	\$3,817,901	\$3,733,407
Expenses			
Operations	\$3,216,676	\$1,806,792	\$1,857,630
General and Administration	3,146,388	2,236,695	2,189,999
Total	\$6,363,064	\$4,043,487	\$4,047,629
EBITDA	(\$4,370,191)	(\$225,586)	(\$314,222)
Amortization, interest and write off of deferred development costs	1,570,206	918,783	528,744
Net Income (loss)	(\$5,940,397)	(\$1,144,369)	(\$842,966)
Earnings (loss) per share	(\$0.46)	(\$0.15)	(\$0.14)

THE CORPORATION

The Corporation was incorporated under the laws of Alberta as "628916 Alberta Ltd." by Certificate of Incorporation dated October 19, 1994. By Certificate of Amendment dated October 19, 2000, the Corporation amended its Articles to provide for a share split on four for one basis and to remove the private company restrictions. By Certificate of Amendment dated March 16, 2001, the Corporation changed its name to "zed.i solutions inc.".

The head office of the Corporation is located at 500, 555 – 4th Avenue S.W., Calgary, Alberta, T2P 3E7 and the registered office is located at 30th Floor, 237 – 4th Avenue S.W., Calgary, Alberta, T2P 4X7.

The Corporation carries on business through its two wholly-owned subsidiaries, Z.I. Probes Inc. and Z.I. Probes (U.S.) Inc.. Z.I. Probes Inc. is an Alberta corporation with a head office located in Calgary, Alberta and its manufacturing and research facilities are located in a 6,500 square foot facility at 211, 9650 - 20th Avenue, Edmonton, Alberta. Z.I. Probes (U.S.) Inc. is a Louisiana corporation with a head office located in Houston, Texas and branch sales offices in Midland, Texas and Lafayette, Louisiana.

The Amalgamation will be completed prior to the closing of the Offering. See "The Proposed Amalgamation".

BUSINESS OF THE CORPORATION

Overview

The Corporation is a technology company engaged in the business of designing, developing, manufacturing and distributing remote access, wireless equipment and technology for asset monitoring and real-time measurement for the oil and natural gas and pipeline industries. The business of the Corporation was first established in September 1987 for the purposes of servicing the oil and natural gas industry, with the vision of applying scientific research to enhance existing tools and practices. From 1987 to 1995, the Corporation developed and improved its product line of electronic field instruments. During this development period the Corporation became a recognized leader in Canada, the United States and off shore in the electronic oilfield technology industry and gained a reputation for the accuracy and quality of its instruments. In 1995 the Corporation began a transition from the manufacture and sale of electronic instruments to the design and production of fully integrated information technology solutions. The proprietary technology developed in its existing "legacy" products, including miniaturization, sensor technology, power conservation, communications and micro-processing became the technological foundation for the design of the Corporation's current product offering. The Corporation currently sells a number of its existing electronic measurement and monitoring products into the petroleum market place, however, the Corporation will place less emphasis on those products in the future. See "Legacy Products". Management believes that the Smart-Alek™ and the FINE™ System represents a significant improvement to known existing remote measurement systems which operate in hazardous environments. The Corporation has only recently commenced commercial production of the Smart-Alek™ and, as a result, no revenue from sales of the Smart-Alek™ has been generated to date. See "Products and Services - Smart-Alek™".

Products and Services

Smart-Alek™

The Corporation has designed and developed a unique remote monitoring instrument that is part of a system solution it calls the Smart-Alek™. The Smart-Alek™ is both an intelligent field instrument and an integrated and complete Web-based information system. The Smart-Alek™ was designed around a system concept which the Corporation calls the FINE™ system. FINE™ is an acronym that stands for Field Intelligence, a communications and processing Network and an End User interface. The foundational element of this system is the Smart-Alek™ instrument whose primary function is to convert the physical parameters of pressure, temperature and flow into digital information. The digital information is stored in the device, then compressed and encrypted for transmission via a public wireless service. As a system, the Smart-Alek™ enables a customer to know pipeline or well performance on a just-in-time or real-time basis. The data can be analyzed automatically to spot trends in well performance using predetermined parameters established by the customer. This permits the Smart-Alek™ to send alarms, enabling operators to quickly respond to problems before they become costly. The Smart-Alek™ is a Web-enabled product so the data can be made available simultaneously to all those who need it. While the current version of the Smart-Alek™ is targeted for application on gas wells and pipelines, the technology employed is reusable in other vertical markets.

Field Intelligence. The Smart-Alek™ field instrument incorporates proprietary sensors that measure pressure, temperature and flow. It also possesses onboard intelligence through the inclusion of a proprietary firmware operating system. It provides gas flow calculations with an option to determine energy content. The Smart-Alek™ instrument also incorporates a MODBUS interface (a standard instrument communications protocol) to local SCADA (“Supervisory Control And Data Acquisition”) systems. As such, the unit can act as a local data hub to collect information from other remote instruments. The instrument sustains itself through rechargeable batteries and a small solar panel. The Smart-Alek™ instrument is self-contained in a small, explosion proof container that can be placed directly on the meter-run, at the wellhead or pipeline, inside a separator shack or other site structure as required. It is lightweight and portable, and can be easily installed, replaced or removed by one person in a short period of time. The Smart-Alek™ is also capable of performing diagnostic checks of its own self-sustaining systems and alerts the owner of impending internal problems. Information that is collected and analyzed by the instrument is securely and efficiently sent to the network component of the FINE™ system via public wireless services, such as circuit-switched cellular, digital cellular or satellite.

Network. The network component of the Smart-Alek™ is analogous to a central nervous system. It asynchronously collects data from a very large number of remote sensing points using public wireless services. Once obtained, this data is stored in a scalable database configured to monitor and relay in a timely manner the information that is valuable to each individual customer. Through an end-user interface, a customer with security clearance can configure what types of information are delivered and in what timeframe. Basic information consists of graphical representations of data collected from the remote sensing points (i.e. trending), and exception reports (i.e. alarm conditions). More advanced information may consist of trended volume reports for single or multiple sites or field groupings in conjunction with derived reservoir depletion characteristics. The network also provides a new type of platform that links advanced processing and simulation applications seamlessly to the remotely sensed data.

End User interface. The end user of the data provided by the Smart-Alek™ must receive such data in a meaningful format that is easy to use. The Smart-Alek™ has been designed with a web-browser interface that the Corporation believes accomplishes these objectives. Through this interface, the Smart-Alek™ communicates with any authorized desktop or portable personal computer, cellular phones, pagers

and other wireless hand held devices. This allows the customer to receive critical data through a variety of preferred devices. The system permits the export of data to a number of specific software products from many different application service providers, including ZipWin™ Report (the Corporation's proprietary graphing and reporting software discussed below). The Corporation intends to further pursue the interface of data captured by Smart-Alek™ with third party software and application service providers.

The Corporation believes that the Smart-Alek™ will be an attractive product for oil and gas producers. By streamlining the monitoring process, Smart-Alek™ frees time among personnel while improving methods of data collection and dissemination. This enables the customer to achieve maximum efficiency and increased cost-effectiveness. The Corporation believes that the ways in which customers can improve profitability include:

- Through trending, Smart-Alek™ may alert operators to problems before they become costly. Early response means that remedial action can begin sooner, reducing production loss and increasing revenues. The Smart-Alek™ can also inform operators about the type of problem a well may be encountering so the responding operator will know what the problem is before leaving for the field. This may significantly enhance daily production rates and the overall production of a field because response is not limited by, or dependent on, a visit to the well site. Reducing the down time of producing wells increases revenues.
- Marketing staff can obtain hourly, daily or real-time access to production information to enable precise spot sales. This also provides for more efficient control of transportation costs.
- Operating expenses may be reduced at the field level. Smart-Alek™ automates the monitoring process, thereby reducing the number of visits to well sites and the associated costs of field personnel and transportation. Field personnel can effectively supervise larger numbers of wells with more focused attention on wells with problems. Timely and accurate information from the system will identify or substantiate the decision to perform well maintenance and testing, saving money on useless or late maintenance and testing visits.
- Smart-Alek™ can be used to leverage production data for the purpose of technical analysis. This represents a significant benefit to the overall production strategy, especially with regard to well bore and reservoir analysis. The Corporation believes that currently, this type of analysis is utilized primarily on top producing wells. The analysis of lower margin wells through the Smart-Alek™ may shed new light on, and increase the knowledge of, production optimization for these wells.
- Head office expenses may be reduced. Using a Business-to-Business interface, critical well data can be electronically and automatically input into the customer's database. This can significantly reduce the clerical effort that is presently required to analyze and use production volume data.
- Smart-Alek™ information is accessible via portable wireless communication devices and the Internet. Accordingly, multiple departments can have access to it, potentially eliminating the duplication of tasks while improving departmental and overall company performance.

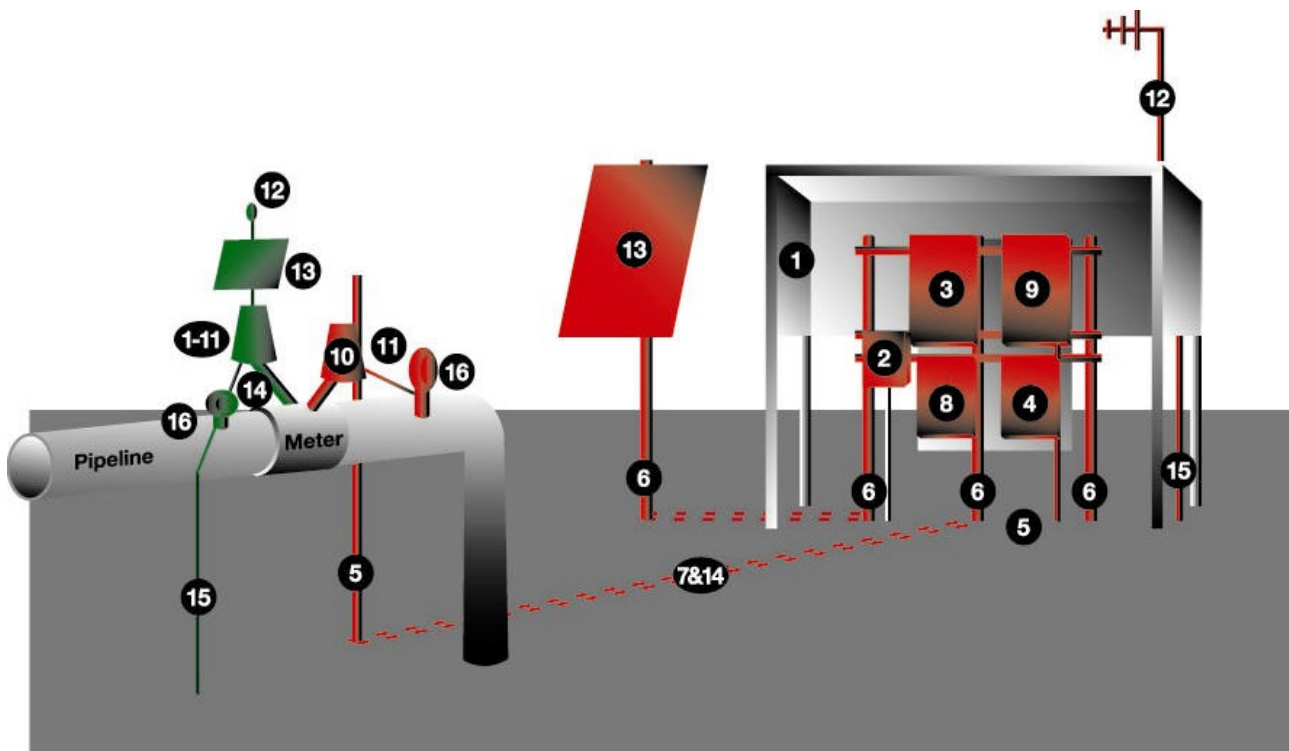
Following numerous field trials and comprehensive market surveys to research the needs and expectations of major, intermediate and junior oil and gas producers, the Corporation has commenced commercial production of Version 1.0 of the Smart-Alek™ at its facility in Edmonton, Alberta. Information from these market studies will continue to be used to ensure that the Smart-Alek™ meets or exceeds customer expectations. This strategy will be employed for subsequent products and vertical markets that the Corporation plans to compete in. As at the date of this Prospectus, the Corporation has not generated any revenue from sales of Version 1.0 of the Smart-Alek™.

The Corporation has commissioned a separate research team to design Version 2.0 of the Smart-Alek™ for commercial mass production. The new design enhances the functionality of the Smart-Alek™ based on market feedback from Version 1.0 while reducing manufacturing and deployment costs. The newly designed product, to be outsourced for manufacture by a third party, is intended to incorporate enhanced flexibility and versatility, and will be modifiable for use in other vertical markets. Version 2.0 of the Smart-Alek™ is not yet at the commercial production stage. The research and development required to complete the development of Version 2 of the Smart Alek™ will be completed at the Corporation's facilities in Edmonton, Alberta. Approximately \$1,000,000 of the proceeds from this Offering will be used to complete the development of Version 2.0 of the Smart Alek™. See "Use of Proceeds". Version 2 of the Smart Alek™ is scheduled for release during the third quarter of the Corporation's 2001 fiscal year.

Technology

Management believes that the Smart-Alek™ and the FINE™ system represent a significant improvement to known technology when compared with existing remote monitoring systems which operate in hazardous environments. The standards for determining what constitutes a hazardous location have been developed over time by various standards developing organizations throughout the world in conjunction with participation by applicable industry representatives. In North America, the principal standard developing organizations that oversee equipment installations in hazardous locations are the Canadian Standards Association ("CSA") and Underwriters Laboratories Inc. ("UL"). These organizations have defined "Class I Zone 1" hazardous locations as locations where ignitable concentrations of flammable gases, vapors or liquids: i) are likely to occur in normal operating conditions; ii) may exist frequently because of repair or maintenance operations or because of leakage; or iii) may exist because of equipment breakdown that simultaneously causes the electrical equipment to become a source of ignition.

Kenonic Controls Ltd. ("Kenonic"), an engineering firm that assembles and installs remote monitoring systems for gas wells and pipelines, was engaged by the Corporation to provide market intelligence on existing remote monitoring systems. The information provided by Kenonic indicates that the design, integration and construction costs of a typical remote monitoring system exceeds \$5500 and accounts for approximately 24% to 37% of the installed cost of the system. The Smart-Alek™ represents a significant improvement to known remote monitoring technology because it is specifically designed to eliminate the design and construction costs and reduce the installation costs. The diagram below represents a comparison of a typical legacy remote monitoring system and the Smart-Alek™.



The legacy electronic measurement system (i.e. SCADA Remote Telemetry Unit) is indicated in red and the numbers correspond with the following described components. A legacy system capable of monitoring the meter in the picture would typically consist of: 1. shed or other site structure; 2. panels to enclose circuit boards and other components; 3. remote telemetry unit; 4. batteries, typically several rechargeable heavy lead-acid cells; 5. concrete foundation; 6. pipe mounts for security and load bearing; 7. rigid conduit that often must be buried and runs between the panels and the transmitters, sensors, solar panels and antenna; 8. communications such as a radio or satellite modem with its own enclosure and power requirements; 9. flow computer for performing flow and volume calculations; 10 sensors such as a pressure sensor and differential pressure sensor; 11. explosion proof couplers used where the system is exposed to natural gas; 12. antenna for transmission; 13. large solar panel; 14. cabling which runs within the conduit to connect all the devices; 15. ground rods; and 16 temperature sensor.

The Smart-Alek™ is represented in green. It is an integrated unit that combines or eliminates items 1 through 11 of a typical legacy system. Integrated items include the: 4. small batteries, 8. communications modem; 9. flow computer; 10 sensors; and 11. explosion proof housing and couplers. Items that have been eliminated by the Smart-Alek™ include: 1. shed or other site structure; 2. panels to enclose circuit boards and other components; 3. remote telemetry unit; 5. concrete foundation; 6. pipe mounts for security and load bearing; and 7. buried rigid conduit. Items common to the Smart-Alek™ and legacy systems are: 12. antenna, 13. solar panel (which we expect to be much smaller in the Smart-Alek™); 14. cabling; 15. ground rods; and 16 temperature sensor.

For the most part, close proximity to a natural gas well or pipeline installation is considered to be a Class I Zone 1 hazardous location. Consequently, equipment that is used to perform flow measurements at these locations must be safe for this area classification. There are many types of sensing devices that meet the safety requirements for Class I Zone 1 locations. However, most of the equipment required to enable these sensing devices to be used for remote monitoring purposes is not certified for use in Class I

Zone 1 locations and must be installed outside of that area. This equipment may include remote telemetry units, battery and other power systems as well as communications systems such as radio, cellular or satellite modems. They are often stand-alone devices manufactured by different vendors. In order for a remote monitoring system to be installed, engineering design is typically required to ensure that the all components work together. In addition, the remote monitoring system must be constructed such that equipment that is not rated for Class I Zone 1, but which must communicate with sensing devices within that zone, is safely connected and properly located outside of the zone.

Kenonic has indicated that the Smart-Alek™ is unique because there are no other single, integrated devices that are able to monitor flow on a gas well or pipeline, relay the data to an offsite location and operate in a Class I Zone 1 environment. The Smart-Alek™ is made possible because of proprietary, developments in the integration of components, power methodology and miniaturization.

Inside the Smart-Alek™, the Corporation has integrated sensors, power (batteries), a flow computer and wireless communications. All other monitoring systems of which the Corporation or Kenonic is aware require additional integration as part of the design and installation process. Integration is important because it permits the use of the Corporation's proprietary power methodology. The battery design and management system is designed to normally power down the system and only power it up to take a sensor reading or communicate the readings. This allows for the use of small batteries. The miniaturization of the integrated components means that the entire Smart-Alek™ is small enough to be economically contained in an explosion-proof container. Even if the device were exposed to natural gas, any explosion would be contained within the device itself. This permits the use of the Smart-Alek™ in a Class I Zone 1 environment and allows for the elimination of the engineering design and construction costs associated with typical remote monitoring systems. The Corporation believes that the elimination of these costs provides an important competitive advantage.

Legacy Products

The business of the Corporation was established in September 1987 as Advanced Tech Gauge Corporation (which changed its name to Z.I. Probes Inc. in July 1988) for the purpose of servicing the oil and natural gas industry, with the vision of applying scientific research to enhance existing tools and practices. From 1987 to 1995, the Corporation developed and improved its product line of electronic field instruments. The first product developed was the Electronic Memory Recorder ("EMR"). The development of the EMR allowed the Corporation to acquire expertise in sensor technology and the miniaturization of processing capability. The Corporation next developed the first reliable electronic Shut-in Tool. The Shut-in Tool, which is primarily an electronic downhole valve used in well testing, extended the Corporation's expertise in miniaturization of technology and resulted in but also required the development of new expertise in battery technology and power conservation. The Corporation then commenced research and development of a Surface Data System ("SDS"). The SDS is a versatile remote data collection and communication system. During this development period the Corporation became a recognized leader in Canada, the United States and offshore in the electronic oilfield technology industry and gained a reputation for the accuracy and quality of its instruments.

In 1995, the Corporation began a transition from the manufacture and sale of electronic instruments to the design and production of fully integrated information technology solutions. The proprietary technology developed in its existing "legacy" products, including miniaturization, sensor technology, power conservation, communications and micro processing became the technological foundation for the design of the Corporation's current product offering. The Corporation continued to develop proprietary firmware, software and hardware that is capable of monitoring and communicating performance data from remote assets. As sales for the Smart-Alek™ are expected to grow, the

Corporation anticipates placing less emphasis on its legacy products. The Corporation currently sells the following products into the market place.

ZipWin™ Report Desktop Software. The Corporation has developed proprietary application software called ZipWin™ Report designed to manage customer's reporting requirements. Any customer with ZipWin™ and application server software on their desktop can remotely access and process data to immediately make critical decisions. The software can be used for the monitoring or testing of gas wells or pipelines. The information can be presented in a number of ways and can be printed in a report, or passed securely by e-mail to another user. The software is compatible with real-time transmission and is accessible anywhere in the world.

Surface Data System ("SDS"). The SDS is a remote data collection system that monitors and records pressure, temperature, flow, humidity, toxicity and numerous other measurements. The system uses analog and digital inputs that can use up to 8000 industrial sensors on the market today. The SDS system has its own internal power source and can be set up to operate its portable sensors in an explosion proof and intrinsically safe (Class I Zone 2) environment. Similar to the Smart-Alek™, satellite and cellular communication capabilities have been designed into the product, enabling remote access to a variety of operations.

ASD Data Server. The ASD Data Server is a complete, ruggedized and fault tolerant computer system designed to act as a field information manager. The Corporation has identified the need to disseminate information among remote locations, head offices and other field locations. It provides a hub to receive and sort information, and is integrated with a database engine. Anyone with authorized access to this hub can view, retrieve and process data through any computer with a telecommunication line or other Internet access.

Electronic Memory Recorder ("EMR"). The EMR is a computer housed in a stainless steel tube designed to withstand the hostile environment experienced downhole in oil or gas wells. The tool was the first developed by the Corporation and went into commercial production in 1989. The computer accurately records temperature, pressure, and time to determine well characteristics.

Shut-in Tool. The Corporation's Shut-in Tool is an intelligent, electronic downhole valve that can be programmed to perform multiple open and close sequences and is used for well testing. This allows the well to be shut-in or to flow at predetermined intervals set by the user. The mechanism in the valve design has been patented under U.S. Patents Nos. 5,318,120 and 5,379,839.

Operations and Sales

The Corporation manufactures its legacy products at its facilities in Edmonton, Alberta with some portions (machining and printed circuit board manufacture) being outsourced to established suppliers. The manufacturing facility is leased on a month-to-month basis at a rate of \$5,213 per month. The Corporation anticipates that substantially all of the manufacturing of the Smart-Alek™ will be outsourced to leading contract manufacturers in North America. Approximately 95% of the raw materials required to manufacture the Corporation's products are accessed from suppliers throughout North America. While some of the component parts are high demand components, the Corporation has secured orders for the necessary supplies to meet production requirements.

Due to the fact that the Corporation has been focused on its legacy business, there has traditionally been a slight decline in sales in the months of December and January. However, the Corporation continues to sell its products year-round and therefore the seasonal effects are quite nominal. All of the legacy products are distributed by direct sales or rental to service companies or producers in the

oil and gas industry. Revenues associated with the legacy products are derived completely from sales and rentals to customers. The following table sets for the revenues derived from the legacy products for each of the last two financial years ended December 31.

<u>Principal Product</u>	<u>1999</u>	<u>2000</u>
EMR ⁽¹⁾	\$2,161,958	\$2,288,592
Shut-In Tool	\$740,150	\$485,043
SDS ⁽²⁾	\$906,998	\$503,862

Notes:

- (1) The EMR is sold together with the ZipWin™ Report and, as a result, sales for the ZipWin™ Report are included within this category.
(2) The SDS and the ASD Data Server work together as one system and, as a result, sales for the ASD Data Server are included within this category.

The Amalgamation referred to under "The Proposed Amalgamation" will be completed prior to the closing of the Offering. In the event that the Offering is wholly or substantially unsuccessful, the Corporation will have approximately \$2,600,000 in available working capital. The Corporation has raised over \$7,900,000 in equity through private funding in the past 12 months and anticipates that private equity will continue to be readily available in the future. If such private equity is no longer available, management of the Corporation anticipates devoting a substantial amount of available working capital to manufacturing and marketing the Smart-Alek™ in order to continue with its efforts at rapid commercialization of this new product. The Corporation also would consider financing inventory through third party factoring of sales contracts. Should working capital continue to be an issue, the Corporation would scale back its current growth plan to reflect available cash flow through a reduction in overhead costs. The Corporation would also focus more of its short term efforts on improving sales and profitability of its existing legacy products to provide for sufficient operating cash flow to maintain operations. See "Use of Proceeds".

The Corporation has assembled an experienced Research and Development team of 34 engineers and technologists to assist in the development of its products and during the financial year ended December 31, 2000, the Corporation employed an average of 70 employees.

Market Overview

The Corporation has investigated the market potential for its technology for gas well, pipeline and oil well monitoring. The Corporation has also begun preliminary market research for the utilities market and the supply chain management market (logistics for, and distribution and delivery of, commercial goods).

Gas Well Market

The American Petroleum Institute ("API") and Canadian Association of Petroleum Producers ("CAPP") estimate that there are approximately 375,000 producing gas wells in North America. It is estimated by Kenonic that only approximately 10% of such wells are currently being remotely monitored. The technology for remote monitoring has existed for over 30 years and the Corporation has concluded that this low penetration rate is due to the high cost and limited functionality of existing monitoring systems. Management expects that the Smart-Alek™ will be a less expensive and more functional solution than known competing systems. The number of gas wells and the market potential are expected to grow from 375,000 gas wells in 2001 to 435,000 gas wells in 2005 as additional wells are drilled.

Pipeline Market

The American Gas Association ("AGA") estimates that there are approximately 1.5 million miles of gas pipelines in the United States and Canada. Pipelines consist of gathering systems, transmission lines, delivery lines both large and small (such as farm taps) and facilities such as compressors and pumping stations for moving product. The Corporation believes that the potential sites for monitoring pipelines greatly exceeds the potential of the gas well market. The Corporation's market research indicates that because monitoring is expensive, the owners of these lines are not able to monitor them to the extent required for optimization of the delivery system. Gas is compressible and because pressure differs throughout a pipeline system, the inability to monitor at more points in the system means that volumes of gas are not adequately known or are lost altogether. The monitoring of these pipeline and delivery facilities is dependent on site visits and manual checking as well as simulation software. In addition, for many pipelines, the owners of the gas, the owners of the pipe and the marketers and aggregators of the gas all monitor volumes separately. This inefficiency is a problem that the Smart-Alek™ can potentially solve by providing reliable data to all parties. In addition measuring deliveries and issuing invoices is an inefficient and expensive process which could be improved by the use of the Smart-Alek™. The Corporation has also begun preliminary design work for a monitoring device that would read existing meters at farm taps and similar sites.

Oil Well Market

The API and CAPP estimate that there are approximately 600,000 oil wells in North America. The monitoring of oil wells presents different technical challenges than gas wells and very few are remotely monitored. The Corporation expects that the development of a comprehensive, cost-effective production facility and production volume monitoring system will be attractive for a sufficient number of wells such that the Corporation is working on a comprehensive and cost effective monitoring system for oil wells. Such efforts are still in the preliminary stages of development.

Other Markets

The Corporation believes that the core technology incorporated in the Smart-Alek™ is transferable to many other markets where monitoring of the commodity delivery from suppliers or producers to consumers may lead to cost savings. The Corporation has developed expertise in miniaturization, micro processing, power methodology and integration for remote monitoring systems. The Corporation believes that combining this knowledge with monitoring systems specifically designed for specific applications may be cost effective for many different markets. The Corporation is presently examining the potential use of this technology in many of these markets including supply chain management, water utilities, electric utilities, waste management and environmental monitoring. The Corporation believes that these are large markets with good market potential.

Growth Strategy

The Corporation's goal is to obtain a dominant position as a global provider of intelligent remote access technology. The Corporation intends to leverage its position as a leading designer and manufacturer of electronic oilfield instrumentation to become a leading provider of remote asset monitoring technology.

The Corporation intends to achieve its strategy by:

Initially Focusing on the Oil and Gas Well and Pipeline Market. Initially, the main focus of the Corporation's business strategy will continue to be on marketing towards the oil and gas market. The

Corporation has sold its legacy products in most areas of the world where oil and gas are produced including North America, South America, the Middle East, South East Asia, China, Russia and India. Its customers include oil and gas producers, both large and small, as well as service companies who target the oil and gas industry. The Corporation intends to leverage its understanding of the oil and gas market and its relationships with oil and gas producers world wide in initially marketing the Smart-Alek™.

Develop Sales and Distribution Channels. In order to gain rapid market share, and establish an early mover advantage, the Corporation will look to develop effective sales and distribution channels to its targeted customers. Initially sales will be facilitated by direct sales to customers through established relationships. Facilitating the direct sales are an ongoing field trials program allowing prospective customers first hand exposure to the potential benefits of the Smart-Alek™ product. Concurrently the Corporation continues to develop relationships with Value Added Resellers ("VARs"), Original Equipment Manufacturers ("OEMs") and other strategic channel partners in the distribution of the Smart-Alek™.

Develop Strategic Alliances. The Corporation will pursue strategic alliances to enhance the scope of its business opportunities, distribution capabilities and market reach. Association with dominant players in geographic territories or product applications will complement and enhance the Corporation's existing distribution channels. Strategic partners with established customer bases may include software and application service providers that provide end-user interfaces with the information captured by the Smart-Alek™.

Develop Brand Recognition. The Corporation will seek to position itself as the dominant provider of intelligent remote access monitoring solutions. The Corporation will also seek to establish the FINE™ system and the Smart-Alek™ as the leading technologies for remote asset monitoring, initially targeting the oil and gas producers and pipeline industries. The Corporation plans to use focused advertising, marketing and branding strategies to build recognition of its corporate and product brands. The Corporation will continue to build its brand by demonstrating its ability to commercialize and support its products and services to meet or exceed the needs of its customers.

Continue to Enhance Technology Leadership. The Corporation will continue to build its technological foundation by maintaining its vision of creating leading edge, cost effective solutions for customers through its ongoing application of scientific research. The Corporation has assembled a multi-disciplinary research and development team whose skills and experiences have contributed to the development of the Corporation's technology. The Corporation intends to continue to invest resources in research and development to improve its technology and innovation processes, to develop new applications for its technology and to bring new and innovative products to market. The Corporation plans to supplement the efforts of its research and development team through collaborative research agreements with private and public research organizations and universities.

Adapt our Technology to Enter New Vertical Markets: The Corporation believes that the flexibility of its technology platform and modular design capabilities coupled with its core competency in miniaturization make its technology adaptable for new applications in a broad array of new vertical markets. The Corporation intends to further explore the extension of the application of its technology to obtain a dominant position in the intelligent remote asset monitoring business in several different vertical markets. The Corporation believes that the core technologies incorporated in FINE™ system and the Smart-Alek™ are transportable to other vertical markets and is therefore exploring the development of monitoring systems for electrical, water and gas utilities, the supply chain management industry and the environmental industry.

Establish an International Footprint. The Corporation believes the international scope of the internet, the global reach of many of its customers and the world wide demand for Web based products and services presents the Corporation with significant opportunities to grow its business outside of Canada and North America. Management believes that the ubiquitous communications capabilities inherent in the FINE™ system and the Smart-Alek™ will allow customers to economically access and manage their offshore assets which will aid in establishing our international business footprint. The Corporation intends to expand its global presence as it implements its vertical market strategy.

Intellectual Property Protection

All potentially valuable intellectual property, including all trade secrets, and all material which could lead to new patents, are protected by requiring all employees and all outside parties contracting with the Corporation to execute agreements which contain confidentiality clauses and non-disclosure agreements and which assign any new intellectual property to the Corporation.

Where appropriate, and consistent with management's objective, patents are pursued as soon as the concepts have been validated through appropriate laboratory work. The Corporation has two United States Patents on its Shut-in Tool and has a patent pending on the Smart-Alek™. To that end, patents will continue to be sought on components or concepts that management of the Corporation perceives to be essential.

The Corporation has registered trademarks filed on "Smart Alek", "ZipWin", "zed.i solutions" and "FINE". The Corporation also maintains copyright protection on its ZipWi associated proprietary software and the FINE™ system structural schematic. The Corporation has also instituted file and storage procedures for security of documents containing intellectual property.

The Corporation believes that one of the best intellectual property control policies is a strong human resources policy to ensure that technical leaders with access to proprietary intellectual property do not consider leaving the Corporation for other employment. The Corporation intends that all staff be compensated through competitive salaries and that key staff participate in the Corporation's stock option program.

Competition

The Corporation engaged Kenonic to provide market intelligence on all competition in its markets. Kenonic concluded that the Smart-Alek™ is a unique product and system, in the sense that no competitor is integrating all of the components of a monitoring and communications system in a stand-alone system. There are a number of competitors who supply different components of monitoring systems. The most significant competitors who supply instrumentation are Fischer Rosemount and Daniel Measurement (divisions of Emerson Ltd.), Barton Instruments Inc., Bristol Babcock Ltd., and Asea Brown Boveri Limited. Instrumentation includes sensors, remote telemetry units and smart transmitters. Power systems and batteries are commodities that are supplied by a large number of suppliers. In the communications and data services arena, competitors include Kenonic (Web Scada), Wireless Matrix Corp. (IP Anywhere), DecisionLink Inc. (Intrex Anywhere), Aurion Technologies, Inc., Cellemetry Inc. and Infosat Inc. Many service providers are in the business of providing engineering design and construction services for installing remote monitoring systems including Kenonic, Fluor Daniel and a number of local distributors and field service companies.

Research and Development

Under the direction of Dr. Tokunosuke Ito, the Corporation has assembled an experienced Research and Development team of 34 engineers and technologists. Their backgrounds include several technical disciplines including instrument, product and operating system designs, telecommunications systems analysis and design, robotics controls, artificial intelligence, firmware design, signal processing, database analysis, security systems, and mechanical system design. The Corporation has focused its efforts on application/product oriented research rather than basic research. This has resulted in a market sensitive team with specialized product and system development capabilities.

Recent Developments

In October 1999, initial tests of the Smart-Alek™ were conducted by the Corporation on gas wells and a pipeline facility. Ongoing testing continues and will be an important part of the Corporation's strategy to continue to develop and improve its remote monitoring technology. On May 30, 2000, the Corporation completed a private placement of 5,671,703 common shares at a price of \$0.50 per share for aggregate proceeds of \$2,835,852. On October 31, 2000 and November 15, 2000, the Corporation completed a private placement of an aggregate of 6,379,287 common shares at a price of \$0.50 per share for aggregate proceeds of \$3,189,643. In April and May 2000, respectively, Keith Smith and Denise LaForge joined the management team. In August and November 2000, respectively, Richard Charron and Trevor Apperley joined the management team. On September 15, 2000, Colony and the Corporation entered into a letter of intent to amalgamate and the formal amalgamation agreement was entered into on November 15, 2000 (the "Amalgamation Agreement"). On November 24, 2000, the Corporation and Yorkton executed a letter agreement pursuant to which Yorkton agreed to sponsor an application to list the shares of the amalgamated corporation on the Toronto Stock Exchange ("TSE") after completion of the Amalgamation. On November 28, 2000, the Corporation and Yorkton executed a letter agreement pursuant to which Yorkton agreed to assist the Corporation in raising up to \$12,000,000 in new equity pursuant to the Private Placement and this Offering. On December 22, 2000, January 5, 2001 and January 16, 2001, the Corporation completed the Private Placement pursuant to which an aggregate of 2,095,000 Special Warrants were issued at a price of \$1.00 per Special Warrant for aggregate proceeds of \$2,095,000 and an aggregate of 209,500 Broker's Warrants were issued to Yorkton. On February 9, 2001, the Corporation issued 369,000 Common Shares at a deemed price of \$1.00 per Common Share in consideration of the conversion of a debenture in the principal amount of \$300,000 which matured on February 11, 2001. On March 1, 2001, stock options were exercised for an aggregate of 360,000 Common Shares at a price of \$0.50 per Common Share. See "Description of Securities".

THE PROPOSED AMALGAMATION

General

Colony Pacific Explorations Ltd. ("Colony") and the Corporation have entered into the Amalgamation Agreement, which provides for the implementation of the Amalgamation pursuant to Section 175 of the ABCA provided that Colony is continued as an Alberta corporation and a certificate of continuance is issued by the Registrar pursuant to the ABCA. The continuing corporation upon the completion of the Amalgamation will be named "zed.i solutions inc." ("Amalco"). The number of common shares of Amalco ("Amalco Shares") which each shareholder of Colony and the Corporation (collectively, the "Amalgamating Corporations") will receive upon the Amalgamation has been negotiated and agreed to on an arm's-length basis and is specifically set out in the Amalgamation Agreement. As at the date hereof, 17,365,518 common shares of Colony ("Colony Shares") were issued and outstanding and 21,163,277 Common Shares were issued and outstanding (23,258,277 assuming the exercise of the

Special Warrants). Upon completion of the Amalgamation, the Colony Shares and Common Shares will be exchanged as follows:

- (a) each Colony shareholder will exchange their Colony Shares for Amalco Shares on the basis of 0.342 of a Amalco Share for every one Colony Share, resulting in approximately 5,939,007 Amalco Shares being issued to Colony shareholders;
- (b) each shareholder of the Corporation will exchange their Common Shares for Amalco Shares on the basis of one Amalco Share for every one Common Share, resulting in 21,163,277 Amalco Shares being issued to the shareholders of the Corporation; and
- (c) each Special Warrant will be deemed to be exercised for one Common Share which, in turn, will be exchanged for one Amalco Share, resulting in 2,095,000 Amalco Shares being issued.

No fractional Amalco Shares will be issued to shareholders of the Amalgamating Corporations in connection with the Amalgamation. Where the exchange ratio would otherwise result in a shareholder of the Amalgamating Corporations being entitled to a fractional Amalco Share, an adjustment will be made to the next higher whole number of Amalco Shares, a certificate for the resulting whole number of Amalco Shares will be issued and the shareholder will not be entitled to any further consideration. As a result, in the absence of any exercises or conversions into Colony Shares or Common Shares by the holders of options, warrants or other convertible instruments (other than the exercise of the 2,095,000 Special Warrants), approximately 29,197,284 Amalco Shares will be issued and outstanding upon completion of the Amalgamation.

Upon completion of the transactions contemplated by the Amalgamation Agreement and assuming the exercise of the Special Warrants, the proportion of Amalco Shares attributable to Colony shareholders shall be approximately 20.3%, while the number of Amalco Shares attributable to the shareholders of the Corporation shall be approximately 79.7% (assuming no further equity financings are completed prior to the Amalgamation. See "The Proposed Amalgamation - Stock Exchange Listing"). The following table summarizes the distribution of Amalco Shares that will be issued upon the Amalgamation.

	<u>To Colony Shareholders</u>	<u>To Shareholders of the Corporation</u>	<u>Total</u>
Amalco Shares to be Issued	5,939,007	23,258,277	29,197,284
Percentage of Amalco Shares Issued	20.3%	79.7%	100%

It is a condition of the Offering that the Amalgamation be completed prior to the closing of the Offering. The Amalgamation will become effective upon the date of filing of Articles of Amalgamation in the form prescribed by the ABCA with the Registrar. All of the assets and liabilities of each of the Amalgamating Corporations shall continue to be the assets and liabilities of Amalco.

Reasons for the Amalgamation

At the time of entering into the Amalgamation Agreement with Colony, management of the Corporation was of the view that Colony was a good candidate for a potential reverse takeover transaction for a number of reasons, including the fact that:

- (i) Colony had working capital of approximately \$1,400,000;
- (ii) Colony's oil and natural gas properties which were of a working interest nature, and not requiring significant capital had a book value of approximately \$400,000 (the same price at which such properties had been vended in to Colony);
- (iii) Colony had tax pools of approximately \$11,000,000;
- (iv) the Colony Shares were listed on the TSE and co-listed on the Canadian Venture Exchange Inc. ("CDNX"); and
- (v) Colony had a shareholder base with strong ties and relationships in the oil and gas industry which the Corporation believed would assist in developing the business plan and marketing of its products.

The Amalgamation Agreement was entered into with the understanding that the Amalco Shares would remain listed on the TSE (as a result of additional capital being raised) or, in the alternative, Amalco would maintain its listing on the CDNX. See "Stock Exchange Listing".

Plans for Colony Assets After Completing the Amalgamation

Upon completion of the Amalgamation, management of Amalco intends to review Colony's oil and natural gas assets, assess value based on cash flows and estimated reserves, and anticipates disposing of these assets for fair market value. Since the properties are non-operating working interests, management has sufficient experience in the oil and gas industry to make their own determination as to value and to sell these assets. There are currently no agreements, understandings or commitments of any kind in connection with a plan for disposition of the oil and natural gas assets.

Proposed Directors and Management

The following individuals are proposed as directors of Amalco pursuant to the terms of the Amalgamation Agreement and are to hold office until the close of the next annual meeting of shareholders of Amalco following the Amalgamation. Shown opposite their names are the number of Amalco Shares that will be issued to the directors of Amalco as a result of securities presently beneficially owned, directly or indirectly, in the Amalgamating Corporations.

Name of Nominee and Municipality of Residence	Principal Occupation	Number and Class of Shares of the Amalgamating Corporations Presently Owned	Number of Amalco Shares to be Issued and Percentage of Class Held Directly or Indirectly
Trevor M. Apperley Calgary, AB	President and Chief Executive Officer of the Corporation	50,000 Common Shares ⁽¹⁾	50,000 / 0.2%
Martin A. Lambert Calgary, AB	Partner, Bennett Jones LLP	240,000 Common Shares ⁽²⁾	240,000 / 0.8%
Pierre B. Lebel Vancouver, BC	President, Imperial Metals Corporation, a mine development and operating company	Nil ⁽³⁾	Nil

Name of Nominee and Municipality of Residence	Principal Occupation	Number and Class of Shares of the Amalgamating Corporations Presently Owned	Number of Amalco Shares to be Issued and Percentage of Class Held Directly or Indirectly
Dorington Little Paradise Valley, Arizona	President, Rodeo Resources Ltd., a private consulting company	216,000 Common Shares	216,000 / 0.8%
Doug Marlin Calgary, AB	President, Marlin Ventures Inc., a private consulting company	10,000 Common Shares	10,000 / 0.04%
Alan E. Winter Vancouver, BC	President, Winteck Consulting Inc., a private consulting company	9,248 Common Shares ⁽⁴⁾	9,248 / 0.03%

Notes:

- (1) Excludes 130,000 Common Shares held by Mr. Apperley's spouse.
- (2) Excludes 60,000 Common Shares held by Mr. Lambert's spouse.
- (3) Excludes 9,029,040 Colony Shares owned by Imperial Metals Corporation.
- (4) Does not include 10,000 Special Warrants owned by Winteck Consulting Inc., a company controlled by Mr. Winter.
- (5) Assumes completion of the Amalgamation.

Pursuant to the Amalgamation Agreement, the following individuals will be appointed as officers of Amalco in the following management capacities:

Trevor M. Apperley	President and Chief Executive Officer
Richard R. Charron	Chief Financial Officer
Robert W. Gordon	Vice President, Operations
Tokunosuke Ito	Chief Technology Officer
M.J. Denise Laforge	Vice President, Marketing and Sales
Keith T. Smith	Vice President, Corporate Development

Principal Holders of Amalco Shares After the Amalgamation

To the best of the knowledge of the directors and senior officers of the Amalgamating Corporations, after giving effect to the Amalgamation, the following table lists the shareholdings of the anticipated directors, senior officers and promoters of Amalco, the former directors and officers of the Amalgamating Corporations, and all shareholders of Amalco who will beneficially own, directly or indirectly, or who will exercise control or direction over more than 10% of the Amalco Shares:

Name	Number of Amalco Shares Owned or Controlled	Percentage of Class
Imperial Metals Corporation ⁽¹⁾ Vancouver, B.C.	3,087,932	10.6%

Note:

- (1) Mr. Pierre Lebel, a proposed director of Amalco, is the President of Imperial Metals Corporation.

Shareholder Approval of Amalgamation

At a special meeting of the shareholders of each of the Amalgamating Corporations on February 12, 2001, the shareholders of each of the Amalgamating Corporations passed a special resolution approving the Amalgamation. The Amalgamation will be completed prior to the closing of the Offering. One shareholder, holding 1,600,000 Common Shares of the Corporation, dissented from the resolution approving the Amalgamation, and is entitled to be paid fair value for his Common Shares in accordance with applicable corporate laws. The Corporation is presently negotiating with the shareholder to

determine whether the shareholder will withdraw its dissent, but has not yet reached an agreement. If the Corporation is unable to reach an agreement, the Corporation will be required to make an offer to purchase such shareholder's Common Shares at a price which the Board of Directors of the Corporation considers to be fair value effective as at February 11, 2001. If the Corporation is ultimately required to make an offer and the shareholder does not accept the Corporation's offer, the Court of Alberta will determine fair value, possibly with the assistance of an independent valuator. Since the fair value may be determined by the Court of Queen's Bench of Alberta, there can be no assurance as to the extent of the financial obligations, if any, which may be imposed on the Corporation. Management of the Corporation continues to pursue settlement negotiations with the shareholder.

Stock Exchange Listing

The outstanding Colony Shares have been listed under the trading symbol "CYX" on the TSE and the CDNX since April 9, 1986 and August 30, 2000, respectively. Colony has agreed to voluntarily delist the Colony Shares from the TSE prior to completion of the Amalgamation. The securities of Amalco have been conditionally approved for listing on the CDNX, subject to Amalco fulfilling all of the requirements of the CDNX.

INFORMATION CONCERNING COLONY

Colony was incorporated pursuant to the *Company Act* (British Columbia) ("BC Act") on November 26, 1979. On March 19, 1980 Colony changed its name to Orinoco Crude Ltd. and on April 28, 1980 changed its name to Colony Pacific Explorations Ltd.

The head office, principal office and registered office of Colony is located at Suite 420 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

Colony has a wholly-owned subsidiary, Quail Hill Mining Corporation, through which Colony previously conducted its mineral exploration activities and holds its mining property interests in the United States. Quail Hill Mining Corporation was incorporated under the laws of the State of Nevada on August 9, 1984 and operates out of Colony's head office.

Colony has another wholly owned subsidiary, Colony Pacific Corporation, which was incorporated under the laws of the State of Oklahoma on October 1, 1980, through which Colony previously conducted its oil and gas activities and holds its interests in the United States. Colony Pacific Corporation operates out of Colony's head office.

Colony also has an inactive wholly owned subsidiary, Quail Hill Resources Ltd., which was incorporated under the laws of the Province of British Columbia on August 31, 1983.

Business Of Colony

Introduction

Colony is a natural resource exploration and development company currently holding interests in oil and natural gas properties in Alberta.

History

Colony commenced operations upon its incorporation on November 26, 1979 engaging in the business of acquiring, exploring and developing mineral and petroleum and natural gas prospects in Canada and in the United States. Participating with other oil and natural gas companies to share the risk of exploration, Colony initially directed its activities on oil and natural gas production in the United States, primarily in Texas. The majority of these properties were sold by Colony in 1992.

In 1981, Colony expanded its activities to include mineral exploration with a focus on base metals in the Foothills Belt of California. Exploration was carried out on a number of properties in the Foothills Belt and also in Alaska. The Blue Moon property, in Mariposa County, California, was optioned in 1981 and was the main focus of mineral exploration during this time. In July 1984, Colony signed an agreement with Westmin Resources Ltd. (now Boliden Ltd.) whereby Westmin made cash payments of US\$1,450,000 to Colony while it explored the property. In March 1988, Colony acquired all of Westmin's interests in the Blue Moon property to consolidate its ownership by issuing to Westmin 1,500,000 Colony Shares and granting to Westmin a 10% net profits interest in the Blue Moon property. After conducting further exploration on the property Colony was unable to obtain further funding and in May 1996 Colony sold its interest in the Blue Moon property to Westmin for \$1,000,000 and a grant to Colony of a 10% net profits interest in the Blue Moon property.

Colony first became involved in petroleum and natural gas exploration in Canada in 1985 when it purchased an interest in a joint venture ("Joint Venture") for \$360,000. The Joint Venture held a 2% working interest in 25 oil wells in Alberta and Saskatchewan. Colony sold its interest in the Joint Venture in 1994. Some of the partners from the Joint Venture, including Colony, joined in a petroleum and natural gas exploration program in 1991 and subsequently drilled six oil wells in the Trout Area of Alberta.

In 1996, Colony entered into a strategic alliance with a wholly owned subsidiary of Inco Limited to carry out mineral exploration and development over the entire Island of Sumatra, Indonesia, searching for copper/gold deposits. This alliance gave Colony the right to earn a 100% interest, subject to a 60% buy-back right, in six contract of work applications on three early stage properties by completing US\$30,000,000 in work over ten years. Pursuant to an area of interest provision a more advanced property was added a short time later. On this property Colony had the right to earn up to a 60% interest, subject to a 66% buy-back right, by spending US\$10,000,000 over four years. Colony raised \$8.6 million in early 1997 in a special warrants financing to fund exploration on these properties. Colony elected to terminate the strategic alliance in 1998 because the results achieved failed to meet management's expectations.

In June 2000, Colony expanded its petroleum and natural gas operations by entering into a farm in agreement to earn working interests in two natural gas properties by agreeing to incur approximately \$500,000 in expenditures. These properties are located in the Medicine Hat and Sousa areas of Alberta and provide Colony with product diversity in its petroleum and natural gas portfolio. Upon completion of the Amalgamation, Amalco intends to sell all of Colony's resource properties and interests however, no formal plan exists at this time.

Petroleum, Natural Gas and Mineral Properties

Colony is now primarily engaged in petroleum and natural gas production. Colony's significant oil properties are located in the Trout Lake area of Alberta where Colony holds an 8% to 35% interest in 3 producing oil wells and 1 saltwater disposal well and a 1.95% royalty interest in 1 producing oil well.

Colony's significant natural gas properties are located in the Medicine Hat area of Alberta where Colony holds a 25% before payout/6.25% after payout interest in four producing gas wells on two sections, and in the Sousa area of Alberta where Colony holds a 4.9084% before payout/1.2271% after payout interest in 17 producing gas wells on 17 sections.

Colony no longer holds any significant mineral property interests, its only mineral property holding being a net profits interest in the Blue Moon property.

Competition

Significant competition exists among natural resource exploration and development companies for acquisition of exploration projects and funding of these projects via public market financings. Although there are many competitors, many of which have greater financial and technical resources than Colony, opportunities do exist for smaller companies such as Colony to conduct profitable operations.

Description of Colony Share Capital

Colony is authorized to issue 100,000,000 common shares without par value and 5,000,000 first preference shares without par value, of which 17,365,518 Colony Shares were issued and outstanding as fully paid and non assessable and no first preference shares were issued and outstanding as of the date hereof. Colony also has 815,000 Colony Shares reserved for issuance pursuant to the exercise of outstanding stock options. See "Colony Stock Options".

The holders of the Colony Shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of the Colony Shareholders and, upon liquidation, to receive such assets of Colony as are distributable to the holders of Colony Shares.

Capitalization

The following table sets forth the capitalization of Colony as at the dates indicated:

Capital	Amount Authorized	Outstanding as at October 31, 2000⁽¹⁾	Outstanding as at December 31, 2000 before giving effect to the Amalgamation⁽²⁾
Common Shares	100,000,000	(audited) \$9,980,863 (17,365,518 shares)	(unaudited) \$9,980,863 (17,365,518 shares)
Preferred Shares	5,000,000	Nil	Nil

Notes:

- (1) Does not include an aggregate of 815,000 stock options to acquire Colony Shares which have been granted by Colony.
- (2) As at October 31, 2000, Colony had no long term debt and a deficit of \$8,060,176.

Price Range and Trading Volume of Colony Shares

The Colony Shares have been listed for trading under the trading symbol "CYX" on the TSE and the CDNX since April 9, 1986 and August 30, 2000, respectively. The following table sets out the high and low daily closing prices and the volumes of trading of Common Shares for the dates indicated as reported by the TSE.

	Price Range		Trading Volume
	<u>High</u>	<u>Low</u>	
	(\$)	(\$)	
<u>1999 Fiscal Year:</u>			
First Quarter	0.32	0.13	710,550
Second Quarter	0.27	0.15	632,260
Third Quarter	0.23	0.18	243,142
Fourth Quarter	0.20	0.17	488,659
<u>2000 Fiscal Year:</u>			
First Quarter	0.25	0.15	396,580
Second Quarter	1.25	0.23	1,266,738
Third Quarter	0.50	0.35	501,500
August	0.43	0.32	134,800
September	0.38	0.30	197,050
October	0.40	0.30	135,355
<u>2001 Fiscal Year:</u>			
November	0.80	0.35	684,203
December	0.57	0.35	241,327
January	0.42	0.30	138,800
February	0.50	0.41	408,980
March (1-20)	0.68	0.50	652,500

The closing price of the Colony Shares on the TSE on March 20, 2001 (as reported by such exchange) was \$0.60.

Selected Financial Information

The following selected financial information for Colony should be read in conjunction with the financial statements and related notes included in this prospectus.

Consolidated Balance Sheet

	<u>October 31, 2000</u>	<u>October 31, 1999</u>	<u>October 31, 1998</u>
Assets			
Current Assets	\$1,475,347	\$1,581,069	\$1,550,600
Non-current Assets	528,762	259,383	331,061
Total Assets	<u>\$2,004,109</u>	<u>\$1,840,452</u>	<u>\$1,881,661</u>
Liabilities			
Current Liabilities	\$44,373	\$26,392	\$35,910
Long Term Liabilities	39,049	34,577	33,477
Shareholders' Equity	1,920,687	1,779,483	1,812,274
Total Liabilities	<u>\$2,004,109</u>	<u>\$1,840,452</u>	<u>\$1,881,661</u>

Consolidated Statement of Loss and Deficit

	Year Ended October 31, 2000	Year Ended October 31, 1999	Year Ended October 31, 1998
Revenues	\$399,356	\$251,861	\$252,484
Expenses	127,961	77,952	99,095
Operating Income	\$271,395	\$173,909	\$153,389
Other Expenses	126,170	204,038	3,530,267
Income (Loss) before income taxes	\$145,225	(\$30,129)	(\$3,376,878)
Income taxes	4,021	2,662	2,903
Net Income (Loss)	\$141,204	(\$32,791)	(\$3,379,781)
Income (Loss) per share	\$0.01	(\$0.00)	(\$0.19)

Management's Discussion and Analysis of Operating Results

Year Ended October 31, 2000 compared to Year Ended October 31, 1999

General

Colony's business principally comprises oil and natural gas production in Alberta. Colony's financial condition and results of operations depend heavily on a number of external factors including commodity prices and exchange rates.

Results of Operations

Colony recorded a net income of \$141,000 in the year ended October 31, 2000 compared to a net loss of \$33,000 in the year ended October 31, 1999. Included in the year 2000 income was a nonrecurring gain of \$76,000 on the sale of a mineral property. Revenues in the year ended October 31, 2000 were considerably higher at \$399,000 compared to \$252,000 in the prior year.

Oil and Natural Gas Operations

Production volumes increased in 2000 as a result of the farm-in by Colony on two natural gas prospects in Alberta, Sousa and Medicine Hat. Commodity prices were significantly higher in 2000 than in 1999 resulting in higher oil and natural gas revenues which increased to \$302,000 in 2000 from \$173,000 in 1999.

	Year Ended October 31	
	2000	1999
Oil production in barrels	3,793	4,698
Gas production in thousand cubic feet	27,614	487
Price per barrel of oil sold	\$40.80	\$23.30
Price per thousand cubic feet of natural gas sold	\$4.92	\$2.80

Mineral Operations

During the year 2000 Colony recorded a \$76,000 gain on the sale of the Bonne Terre mineral property. In the prior year Colony abandoned its interest in a mineral exploration property resulting in a \$51,000 loss.

Corporate

Interest income was higher in the year ended October 31, 2000 at \$97,000 compared to \$79,000 in 1999 as a result of slightly higher average interest rates on similar average interest earning balances.

General and administration costs increased to \$203,000 in 2000 from \$152,000 in 1999 as Colony investigated various business opportunities.

Liquidity and Capital Resources

Colony relies on the cash flow from its oil and natural gas portfolio and its existing cash balances to fund its growth. Proceeds of \$283,000 from the Bonne Terre mineral property sale in January 2000, net of the long term note receivable of \$148,000, were reinvested in cash flow producing natural gas assets. This allowed Colony to diversify from its dependence on oil production and to improve the rate of return achieved on cash balances. Colony has sufficient cash resources to meet its operating and capital requirements for at least the next year.

Operating Activities

Cash flow from operations were \$118,000 in the year ended October 31, 2000 compared to \$42,000 in 1999. Improved oil and natural gas operating margins were partially offset by higher general and administration costs. The full impact of the higher oil and natural gas production from capital additions during the year ended October 31, 2000 will be felt in future periods.

Financing Activities

There were no financing activities during either the year ended October 31, 2000 or October 31, 1999 as Colony had sufficient cash to meet its obligations. Colony continues to be debt free.

Investment Activities

Investment activities in the year ended October 31, 2000 were a net total of \$270,000 compared to \$2,000 in 1999. Colony incurred capital expenditures of \$413,000 pursuant to the farm-in agreement on the oil and natural gas properties and received \$135,000 in cash on the sale of the Bonne Terre mineral property.

Year Ended October 31, 1999 compared to Year Ended October 31, 1998

General

Colony's business principally comprises oil production in Alberta. Colony's financial condition and results of operations depend heavily on a number of external factors including commodity prices and exchange rates. Early in the year ended October 31, 1998 Colony made a decision to withdraw from mineral exploration in Indonesia and focus on oil and natural gas operations.

Results of Operations

Colony recorded a net loss of \$33,000 in the year ended October 31, 1999 compared to a net loss of \$3,380,000 in the year ended October 31, 1998. Revenues in both years were \$252,000 however a \$3,308,000 mineral property write down in the 1998 year was the primary factor in the large loss for that year.

Oil and Natural Gas Operations

Lower oil and natural gas production volumes in line with expected well decline rates were marginally offset by higher commodity prices resulting in slightly lower oil and natural gas revenues which fell from \$178,000 in the 1998 to \$173,000 in 1999.

	Year Ended October 31	
	1999	1998
Oil production in barrels	4,698	6,057
Gas production in thousand cubic feet	487	493
Price per barrel of oil sold	\$23.30	\$20.93
Price per thousand cubic feet of natural gas sold	\$2.80	\$2.71

Mineral Operations

In the year ended October 31, 1999 abandoned its interest in a mineral exploration property resulting in a \$51,000 loss. During the prior year a loss of \$3,308,000 was recorded on the writedown of all remaining mineral exploration properties in Indonesia upon termination of the strategic alliance with Inco.

Corporate

Interest income was slightly higher in the year ended October 31, 1999 at \$79,000 compared to \$74,000 in 1998 as a result of slightly higher average rates on similar average balances.

General and administration costs decreased to \$152,000 in 1999 from \$221,000 in 1998 as the company reduced staff and operations as a result of the termination of the mineral exploration program in Indonesia.

Liquidity and Capital Resources

Colony relies on the cash flow from its oil and natural gas portfolio and its existing cash balances to fund its growth. The company has sufficient cash resources to meet its operating and capital requirements for at least the next year.

Operating Activities

Cash flow from operations were \$42,000 in the year ended October 31, 1999 compared to a deficit of \$42,000 in 1998. Improved oil and natural gas operating margins and lower general and administration costs were the reason for the improvement.

Financing Activities

There were no financing activities during either the year ended October 31, 1999 or October 31, 1998 as the company had sufficient cash to meet its obligations. The company continues to be debt free.

Investment Activities

Investment activities in the year ended October 31, 1999 were a net total of \$2,000 compared to \$30,000 in 1998. The company incurred mineral expenditures of \$2,000 in 1999, down from \$32,000 in 1998 as mineral exploration operations were curtailed.

Prior Sales

No Colony Shares have been issued during the 12 months prior to the date hereof.

Directors and Officers

The names and municipalities of residence of the directors of Colony, their present occupations, positions and offices with Colony and the dates upon which each such person first became a director of Colony are as set forth below:

Name and Municipality of Residence	Position(s) Currently Held	Principal Occupation	Date First Became a Director	Colony Shares Beneficially Owned	Amalco Shares Beneficially Owned After Giving Effect to the Amalgamation
Pierre B. Lebel North Vancouver, B.C.	President and Director	President of Imperial Metals Corporation, a mine development and operating company	April 18, 1986	Nil	Nil
R. Michael Jones ⁽¹⁾ Vancouver, B.C.	Director	President, Platinum Group Metals Ltd., a mineral exploration company	May 8, 1996	Nil	Nil
J. Brian Kynoch Vancouver, B.C.	Director	Chief Operating Officer and Senior Vice President of Imperial Metals Corporation, a mine development and operating company	April 11, 1997	Nil	Nil
Larry G.J. Moeller ⁽¹⁾ Calgary, Alberta	Director	Vice President, Finance of Edco Financial Holdings Ltd., a private investment company	April 6, 1995	10,000	3,420
Barry W. Smee ⁽¹⁾ Sooke, B.C.	Director	President of Smee & Associates Consulting Ltd., a private consulting company	February 14, 1997	Nil	Nil

Note:

(1) Member of the Audit Committee.

Executive Compensation

Summary Compensation Table

The following table sets forth information concerning the total compensation paid, during each of the last three financial years (as applicable), to Colony's Chief Executive Officer and Colony's other executive officers who received total remuneration, determined on the basis of base salary and bonuses, in excess of \$100,000 during the financial years ended October 31 (the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation			Long-term Compensation			
		Salary ⁽¹⁾ (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Securities Under Options/SARs Granted (#)	Restricted Shares/Units Awarded (#)	LTIP Payouts (\$)	All Other Compensation (\$)
Pierre B. Lebel President	2000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	1999	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	1998	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) Perquisites and other personal benefits received in 1998, 1999 and 2000 did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonuses for any of the Named Executive Officers.

Stock Option Plan

Option Grants During the Year Ended October 31, 2000

No stock options or stock appreciation rights were granted to the Named Executive Officers during the financial year ended October 31, 2000.

Aggregated Option Exercises During the Year Ended October 31, 2000 and Financial Year-end Option Values

The following table sets forth certain information respecting the numbers and accrued value of unexercised stock options as at October 31, 2000 and options exercised by the Named Executive Officers during the financial year ended October 31, 2000:

	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at October 31, 2000 (#)		Value of Unexercised in-the-Money Options at October 31, 2000 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Pierre B. Lebel	Nil	Nil	250,000	Nil	Nil	Nil

Compensation of Directors

Colony has no standard arrangement pursuant to which directors of Colony are compensated by Colony for their services in the ir capacity as directors, except for stock options which may be granted to directors in accordance with the policies of the TSE. During the fiscal year ended October 31, 2000, no options to acquire Colony Shares were granted to directors of Colony. See "Information Concerning Colony - Colony Stock Options".

Management Agreement

Colony has entered into a management agreement with its major shareholder, Imperial Metals Corporation dated April 18, 1986 (as amended) pursuant to which Imperial Metals Corporation provides management services to Colony for a flat fee of \$41,000 per year. In addition, Imperial Metals Corporation charges Colony up to 15% of all costs which are incurred directly in, or are incidental but unavoidably related to, operating and exploration or development program approved by Colony. The fees payable to Imperial Metals Corporation under this management agreement have been determined by negotiation between management of Imperial Metals Corporation and the independent members of Colony's board of directors. This agreement may be terminated on 30 days' notice by either party.

Indebtedness of Directors and Senior Officers

No director or officer of Colony nor any of their respective associates or affiliates is currently indebted to Colony or has been indebted to Colony since the date of incorporation.

Principal Shareholders

The only persons or corporations that beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the Colony Shares are as set forth below:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number and Percentage of Colony Shares Beneficially Owned</u>	<u>Number and Percentage of Amalco Shares Beneficially Owned upon Amalgamation</u>
Imperial Metals Corporation ⁽¹⁾ Vancouver, B.C.	Legal and Beneficial	9,029,040	3,087,932/10.6%

Note:

(1) Mr. Pierre B. Lebel, the President of Colony and a proposed director of Amalco, is the President of Imperial Metals Corporation.

Dividend Record and Policy

No dividends have been paid on any Colony Shares since the date of its incorporation. It is not contemplated that any dividends will be paid in the immediate or foreseeable future with respect to the Colony Shares or the Amalco Shares. The future payment of dividends will be dependent upon the financial requirements of Amalco to fund future growth, the financial condition of Amalco and other factors which the board of directors of Amalco may consider in the circumstances.

Escrowed Shares

There are currently no Colony Shares held in escrow.

Colony Stock Options

On February 28, 1997, the directors of Colony approved a stock option plan (the "Colony Plan") pursuant to which options to acquire Colony Shares may be granted to the directors, officers and employees of Colony and to consultants retained by Colony. Under the Colony Plan, the Board of Directors of Colony is authorized to grant options to purchase Colony Shares to eligible persons.

The aggregate number of Colony Shares issuable upon the exercise of options granted under the Colony Plan may not exceed 1,800,000 Colony Shares and the aggregate number of Colony Shares issuable to any one director, officer or full time employee of Colony may not exceed 5% of the total

number of issued and outstanding Colony Shares. The period during which an option granted under the Colony Plan is exercisable may not exceed ten (10) years from the date such option is granted. The price at which Colony Shares may be acquired upon the exercise of an option may not be less than the price permitted under the rules of the stock exchange or exchanges on which the Colony Shares are listed.

Subject to the foregoing restrictions, and certain other restrictions set forth in the Colony Plan, the Board of Directors is authorized to provide for the granting of options and the exercise and method of exercise of options granted under the Colony Plan. Options granted under the Colony Plan are subject to regulatory approval.

Options granted under the Colony Plan are non-assignable. Such options are subject to early termination in the event of the death of a participant or in the event that a participant ceases to be a director, officer, employee or consultant of Colony, as the case may be.

The following table sets forth options to purchase Colony Shares which are outstanding under the Colony Plan as of the date hereof:

	Number of Colony Shares Under Option	Date of Grant	Exercise Price Per Colony Share	Expiry Date
Directors who are not officers (4 individuals)	390,000	May 14, 1996	\$1.50	May 14, 2006
(1 individual)	75,000	January 31, 1997	\$8.00	January 31, 2007
Officers (2 individuals)	350,000	May 14, 1996	\$1.50	May 14, 2006
Total	815,000			

Interests of Management and Others in Material Transactions

Other than as discussed herein, there are no material interests, direct or indirect, of directors, senior officers, any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Colony Shares or any known associate or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect Colony.

Promoter

Imperial Metals Corporation may be considered to be the promoter of Colony in that it was instrumental in the reorganizing of the business of Colony. As of the date hereof, Imperial owns 9,029,040 Colony Shares representing approximately 52% of the issued Colony Shares.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contract entered into by Colony in the two years immediately prior to the date hereof or to be entered into in connection with the Continuance and the Amalgamation which can reasonably be regarded as presently material is the Amalgamation Agreement.

Auditors, Transfer Agent and Registrar

The auditors of Colony are Deloitte & Touche LLP, Chartered Accountants, at their offices in Vancouver, British Columbia. The Registrar and Transfer Agent for Colony Shares is Computershare Investor Services Inc., at its offices at 401 - 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and at 8th Floor, 151 Front Street, Toronto, Ontario, M5J 2N1.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated March 21, 2001 between the Corporation and the Agents (the "Agency Agreement"), the Agents have agreed to offer for sale to the public in the Selling Provinces on a best efforts basis the Units to be sold under the Offering, subject to prior sale if, as and when issued. The Agents are not obligated to purchase Units in connection with the Offering. The duties of the Agents under the Offering are subject to the Agency Agreement. The Offering Price and the allocation of the Offering Price between the Common Shares and the Purchase Warrants comprising the Units was determined by negotiation between the Corporation and the Agents. The Agents may retain, as subagents, other registered securities dealers and may obtain subscriptions that have been arranged through such subagents and, in the Agents' discretion, may pay a fee and transfer part of the Agents' Options as agreed between the Agents and any such subagent. The Agents may terminate their obligations under the Agency Agreement at their discretion on the basis of their assessment of the state of the financial markets and on the occurrence of certain stated events.

Pursuant to the terms of the Agency Agreement, the Agents will be paid a cash commission equal to 8% of the gross proceeds from the Offering. The Corporation will also grant the Agents a number of Agents' Options equal to 10% of the number of Units sold pursuant to this Offering for no additional consideration. Each Agents' Option entitles the holder thereof to acquire, subject to adjustment, one Unit at a price of \$1.00 per share at any time and from time to time prior to the date which is 18 months after the later of: (i) the closing of the Offering; and (ii) the completion of the Amalgamation. The Agent's Options are being qualified for distribution pursuant to this prospectus.

Larger subscriptions may be given priority. All subscriptions will be received subject to rejection or allotment in whole or in part. If a subscription is rejected, the Corporation will promptly return all documents and cheques representing such subscription funds without interest, deduction or penalty.

The Agents' obligation to complete the sale of the Units pursuant to the Agency Agreement is subject to a number of conditions as more particularly described in the Agency Agreement, including the giving by the Corporation to the Agents of certain representations and warranties typical in a transaction of this nature.

It is expected that certificates for the Common Shares and Purchase Warrants will be available for delivery on closing of the Offering which is expected to occur on or about March 30, 2001, or such other date as may be agreed to by the Corporation and the Agents.

The Purchase Warrants will be issued pursuant to the terms of a share purchase warrant indenture between the Corporation and Valiant Corporate Trust Company (the "Warrant Indenture"). The terms governing the Purchase Warrants will include, among other things, provisions for the issuance of Common Shares within 10 days of the exercise of the Purchase Warrants, and the appropriate adjustment in the class, number and price of the Common Shares issuable pursuant to the exercise of the Purchase Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, the payment of stock dividends or the amalgamation of the Corporation.

The Special Warrant Agency Agreement requires that, prior to closing, holders of greater than 50,000 Common Shares of the Corporation (as at November 27, 2000) will have agreed not to offer, sell, transfer, assign or otherwise dispose of any of their Common Shares or engage in any transactions having the effect of reducing or eliminating the risk of ownership for such Common Shares for a period of 90 days (the Initial Restriction Period") after the later of (i) the date of closing of the Offering; or (ii) the date of completion of the Amalgamation. It is required that such shareholders will have further agreed not to

offer, sell, transfer, assign or otherwise dispose of 50% of their Common Shares or engage in any transactions having the effect of reducing or eliminating the risk of ownership for such Common Shares for a further period of 90 days after the Initial Restriction Period.

The Common Shares and purchase Warrants offered hereby have not been and will not be registered under the United States *Securities Act of 1933*, as amended, and may not be offered or sold within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the United States *Securities Act of 1933*.

2,095,000 Common Shares are also being qualified for distribution to the public pursuant to this Prospectus, such Common Shares to be issued for no additional consideration upon exercise or deemed exercise of an aggregate of 2,095,000 Special Warrants of the Corporation previously issued under the Private Placement on December 22, 2000, January 5, 2001 and January 16, 2001. The Special Warrants were issued and sold at a price of \$1.00 per Special Warrant pursuant to the Special Warrant Agency Agreement. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at no additional cost, at any time and from time to time until 5:00 p.m. (Calgary time) on the Expiry Date. If a receipt for this prospectus has not been issued by the last of the securities commissions in the Qualifying Jurisdictions by March 22, 2001, the holders of Special Warrants shall be entitled to receive 1.1 Common Shares (in lieu of one Common Share) for each Special Warrant exercised or deemed to be exercised thereafter, without further payment on the part of the Special Warrant holder. Certificates representing the Common Shares will be available for mailing within five business days following the exercise or deemed exercise of Special Warrants.

Pursuant to the terms of the Special Warrant Agency Agreement, the Corporation paid a commission to Yorkton equal to 8% of the gross proceeds from the sale of Special Warrants under the Private Placement. The Corporation also granted Yorkton 209,500 Broker's Warrants. Each Broker's Warrant entitles the holder thereof to acquire, subject to adjustment, one Broker's Options for no additional consideration. Each Broker's Option will entitle the holder thereof to acquire, subject to adjustment, one Common Share at a price of the greater of the offering price and \$1.00 per share at any time and from time to time prior to 5:00 p.m. (Calgary time) on the date which is 18 months from the later of: (i) the date of closing of the Offering; and (ii) completion of the Amalgamation. The distribution of the Broker's Options upon the exercise of the Broker's Warrants is also qualified under this Prospectus.

USE OF PROCEEDS

The Offering is not subject to a minimum subscription level and, therefore, all proceeds raised under the Offering will be available to the Corporation. The net proceeds from the sale of the Units are estimated to be \$9,125,000 after deducting expenses of the issue estimated at \$75,000 and the Agents' fees. The net proceeds received by the Corporation from the issue and sale of the Special Warrants was \$1,928,400. The estimated consolidated working capital as at February 28, 2001 was \$1,200,000. The Amalgamation will be completed prior to the closing of the Offering. Therefore, the Corporation will have approximately an additional \$1,400,000 in working capital available to it upon completion of the Amalgamation. The net proceeds from the Offering of approximately \$9,125,000 and the estimated consolidated working capital of \$2,600,000 will be used to pursue the business plan of zed.i solutions inc. and for general corporate purposes.

In the event that the Corporation does not raise any proceeds under the Offering, the Corporation expects to use the estimated consolidated working capital of \$2,600,000 as follows:

<u>Use</u>	<u>Total</u>
Manufacture of the Smart-Alek TM	\$1,000,000
Marketing of the Smart-Alek TM	\$1,000,000
Working Capital	\$600,000

See also “Business of the Corporation – Operations and Sales”.

If the maximum number of Units are sold under the Offering, the Corporation expects to use the net proceeds from the Offering of \$9,125,000 and the estimated working capital of \$2,600,000 as follows:

<u>Use</u>	<u>Total</u>
Manufacture of the Smart-Alek TM	\$7,000,000
Research and Development	\$2,500,000
Marketing of the Smart-Alek TM	\$1,500,000
Working Capital	\$725,000

The Corporation intends to spend the funds available to it as stated in this prospectus however, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives.

SELECTED FINANCIAL INFORMATION

The following is selected financial information for the Corporation and should be read in conjunction with the financial statements and related notes included in this prospectus.

Consolidated Balance Sheet

	<u>December 31, 2000</u>	<u>December 31, 1999</u>	<u>August 31, 1998</u>
Assets			
Current Assets	\$3,553,362	\$2,875,861	\$2,720,185
Non-current Assets	2,008,586	1,678,792	2,532,888
Total Assets	<u>\$5,561,948</u>	<u>\$4,554,653</u>	<u>\$5,253,073</u>
Liabilities			
Current Liabilities	\$2,049,574	\$2,455,370	\$2,829,562
Long Term Liabilities	806,992	1,081,758	300,000
Shareholders' Equity	2,705,382	1,017,525	2,123,511
Total Liabilities	<u>\$5,561,948</u>	<u>\$4,554,653</u>	<u>\$5,253,073</u>

Consolidated Statement of Operations and Deficit

	<u>Year Ended December 31, 2000</u>	<u>Sixteen Months Ended December 31, 1999</u>	<u>Year Ended August 31, 1998</u>
Revenues	\$3,752,231	\$5,159,672	\$4,449,871
Cost of Sales	<u>1,759,358</u>	<u>1,341,771</u>	<u>716,464</u>
Gross Profit	<u>\$1,992,873</u>	<u>\$3,817,901</u>	<u>\$3,733,407</u>

	Year Ended December 31, 2000	Sixteen Months Ended December 31, 1999	Year Ended August 31, 1998
Expenses			
Operations	\$3,216,676	\$1,806,792	\$1,857,630
General and Administration	3,146,388	2,236,695	2,189,999
Total	<u>\$6,363,064</u>	<u>\$4,043,487</u>	<u>\$4,047,629</u>
EBITDA	(\$4,370,191)	(\$225,586)	(\$314,222)
Amortization, interest and write off of deferred development costs	<u>1,570,206</u>	<u>918,783</u>	<u>528,744</u>
Net Income (loss)	<u>(\$5,940,397)</u>	<u>(\$1,144,369)</u>	<u>(\$842,966)</u>
Earnings (loss) per share	(\$0.46)	(\$0.15)	(\$0.14)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Effective December 31, 1998, the Corporation changed its year end from August 31 to December 31. The Corporation's consolidated financial statements include comparative figures as at and for the sixteen months ended December 31, 1999, but do not include comparative figures for the four months ended December 31, 1998 and the year ended December 31, 1999. Comparative figures have not been presented for these periods because the Corporation did not perform physical counts of its inventories at December 31, 1998. In addition, the Corporation was not able to satisfy itself or its auditors with regard to its inventory quantities by alternative means as at December 31, 1998. Since the opening and closing amounts of inventories enter into the determination of the results of operations and cash flows, it could not be determined whether adjustments to cost of sales, net loss for the period, inventories, closing deficit and cash provided from operations might be necessary. These problems resulted in the Corporation's auditors expressing a denial of opinion as to whether the Corporation's consolidated financial statements for the four months ended December 31, 1998 were presented fairly in accordance with Canadian generally accepted accounting principles. Further, these problems resulted in the Corporation's auditors having to qualify their opinion as to whether the Corporation's consolidated financial statements for the year ended December 31, 1999 were presented in accordance with Canadian generally accepted accounting principles.

Year Ended December 31, 2000 Compared to Sixteen Months Ended December 31, 1999

Results of Operations

The Corporation generated revenues of \$3,800,000 (average of \$317,000 per month) for the year ended December 31, 2000, as compared to \$5,200,000 (average of \$325,000 per month) for the 16 months ended December 31, 1999. These revenues were generated from the Corporation's legacy products, including EMR gauges, SDS units, Shut-in Tools, accessories and service. There were no sales of the Corporation's new Smart-Alek™ product in 2000. For the 12 month period ended December 31, 1999 the sales were \$3,900,000 (average of \$325,000 per month) while the sales for the four months ended December 31, 1998 were \$1,300,000. There is no significant variance in sales. The sales for 2000 closely tracked 1999 sales. Cost of sales as a percentage of revenues increased to 47% for the year ended December 31, 2000, as compared to 26% for the period ended December 31, 1999. This increase is directly attributable to a write down of finished goods inventory as compared to \$481,000 in the 16 month period ended December 31, 1999. The increase in cost of sales is also a result of increased competition for these products, which has resulted in lower margins. Cost associated with raw materials have increased due to greater demand for electronic components and the scarce availability of some of these components.

Operating Expenses

Expenses from operations for the year ended December 31, 2000 were \$3,200,000 (average of \$268,000 per month) as compared to \$1,800,000 (average of \$112,000 per month) for the 16 months ended December 31, 1999. The increase partially resulted from the hiring of additional employees in the operations area and the development of new systems and infrastructure. In 2000, the Corporation hired an information systems group and began to develop internal systems. Additional support staff was also added to support the Corporation's growth. The remainder of the increase primarily related to \$1,300,000 in research and development costs that were expensed during the period ended December 31, 2000. In the period ended December 31, 1999, the Corporation capitalized approximately \$800,000 in development costs. The Corporation's unamortized deferred development costs as at December 31, 1999 of \$912,000 were written off during the year ended December 31, 2000. The research and development costs have not been capitalized due to the uncertainty related to the future recoverability of the research and development.

General and Administration Expenses

General and administration expenses for the year ended December 31, 2000 were \$3,100,000 (average of \$259,000 per month) as compared to \$2,200,000 (average of \$137,000 per month) for the 16 months ended December 31, 1999. This increase is partially attributable to increased employee costs and contract fees as the Corporation added new employees in the last two quarters of the year. New employees were added in both Calgary and Edmonton. The Corporation has grown from approximately 40 employees at the end of 1999 to 70 at the end of 2000, including four new executives in Calgary. The Corporation also incurred additional infrastructure expenditures in support of these employees. In 2000, the Corporation entered into an agreement to merge with Colony Pacific Explorations Ltd., which resulted in additional legal and accounting costs being incurred. The Corporation has also moved to new offices in 2000 in Calgary to accommodate its future growth.

Financial Condition and Liquidity

The Corporation's balance sheet as at December 31, 2000 has improved significantly as compared to December 31, 1999. This improvement is a direct result of the raising of equity financing. 12,000,000 shares were issued in 2000 at \$0.50 per share in two private placements, which resulted in approximately \$6,000,000. In addition, 1,743,000 special warrants were issued at \$1.00 per share in December of 2000, which yielded approximately \$1,570,000 after agency costs. The Corporation has used these funds to facilitate its growth and development, reduce its debt by approximately \$680,000, and improve its working capital position by approximately \$1,100,000. At December 31, 2000, the Corporation had approximately \$1,000,000 in cash as compared to bank indebtedness of \$980,000 at December 31, 1999. The Corporation also has \$700,000 of scientific research tax credits recoverable as compared to \$400,000 at December 31, 1999. This increase is a direct result of the Corporation's research and development activity related to the prototyping and development of its Smart-Alek™ product.

Sixteen Months Ended December 31, 1999 Compared to the Year Ended August 31, 1998

Results of Operations

The Corporation generated revenues of \$4,400,000 (average of \$367,000 per month) for the year ended August 31, 1998, as compared to \$5,200,000 (average of \$325,000 per month) for the 16 months ended December 31, 1999. The decrease in average monthly revenue was as a result of greater activity in the oil and gas industry in 1998. In the later part of 1998 the oil and gas industry started to turn down.

The revenue for both periods was generated from the sale of EMR gauges, SDS units, Shut-in-Tools, accessories and service revenue (the legacy business of the Corporation).

Cost of sales as a percentage of revenue for the 16 months ended December 31, 1999 increased due to increased manufacturing costs and higher prices for electronic components.

Operating Expenses

Expenses from operations for the 16 month period ended December 31 1999 were \$1,800,000 (average of \$112,000 per month) as compared to \$1,900,000 (average of \$158,000 per month) for the year ended August 31, 1998. The decrease was due primarily to a turn down in activity in the oil and gas industry in 1999 and late 1998.

General and Administration Expenses

General and administration expenses for the 16 month period ended December 31 1999 were \$2,200,000 (average of \$137,000 per month) as compared to \$2,200,000 (average of \$183,000 per month) for the year ended August 31, 1998. General and administration expenditures also decreased slightly due to the slowdown in the oil and gas industry.

Financial Condition and Liquidity

As at December 31, 1999, the Corporation's current assets increased by \$600,000 as compared to August 31, 1998. This is a direct result of an increase in inventory and accounts receivable for the period. Current liabilities increased by \$700,000 at December 31, 1999 as compared to August 31, 1998. This increase is due in part to the reclassification of debt from long term debt to current debt.

DIVIDEND POLICY

No dividends have been paid on any Common Shares since the date of its incorporation. It is not contemplated that any dividends will be paid in the immediate or foreseeable future with respect to the Common Shares or the zed.i Shares. The future payment of dividends will be dependent upon the financial requirements of the Corporation to finance future growth, the financial condition of the Corporation and other factors which the board of directors of the Corporation may consider appropriate in the circumstances.

DESCRIPTION OF SECURITIES

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value of which, 21,163,277 Common Shares were issued and outstanding as fully paid and non-assessable as at the date hereof. The Corporation has 3,172,394 Common Shares reserved for issuance pursuant to the exercise of outstanding stock options, 166,604 Common Shares reserved for issuance pursuant to the exercise of common share purchase warrants ("Warrants"), 444,444 Common Shares reserved for issuance pursuant to the conversion of convertible debenture, 2,095,000 Common Shares reserved for issuance upon exercised or deemed exercise of the Special Warrants and 209,500 Common Shares reserved for issuance upon exercise of the Broker's Options. See "Stock Options", "Warrants", "Convertible Debenture", "Special Warrants" and "Broker's Warrants".

Common Shares

The holders of the Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of Common Shares.

Warrants

The Corporation has issued a total of 166,604 Warrants. Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$1.38 per Common Share. The Warrants expire as to 40,000 on December 10, 2001; 5,804 on December 18, 2001; 10,000 on December 22, 2001; 36,300 on January 1, 2002; 34,500 on February 5, 2002; and 40,000 on May 17, 2002.

Convertible Debenture

The Corporation has issued a convertible debenture which is outstanding in the principal amount of \$500,000, which entitles the holder thereof to acquire an aggregate of 444,444 Common Shares. The principal amount of \$500,000 is convertible at a price of \$1.125 per Common Share, maturing on January 24, 2002 and bearing an interest rate of 9.5%.

Special Warrants

An aggregate of 2,095,000 Special Warrants were issued on December 22, 2000, January 5, 2001 and January 16, 2001 pursuant to prospectus exemptions under applicable securities legislation at a price of \$1.00 per Special Warrant for gross proceeds to the Corporation of \$2,095,000. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at no additional cost, at any time and from time to time until 5:00 p.m. (Calgary time) on the Expiry Date. If a receipt for this prospectus has not been issued by the last of the securities commissions in the Qualifying Jurisdictions by March 22, 2001, the holders of Special Warrants shall be entitled to receive 1.1 Common Shares (in lieu of one Common Share) for each Special Warrant exercised or deemed to be exercised thereafter, without further payment on the part of the Special Warrant holder. See "Plan of Distribution".

Broker's Warrants

An aggregate of 209,500 Broker's Warrants were issued on December 22, 2000, January 5, 2001 and January 16, 2001 pursuant to prospectus exemptions under applicable securities legislation. Each Broker's Warrant may be converted into a Broker's Option for no additional consideration. Each Broker's Option entitles the holder thereof to acquire, subject to adjustment, one Common Share at a price of the greater of the offering price and \$1.00 per share at any time and from time to time prior to 5:00 p.m. (Calgary time) on the date which is 18 months from the later of: (i) the date of closing of the Offering; and (ii) completion of the Amalgamation. Since the dates of issuance, no Broker's Warrants have been exercised.

CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Corporation as at the dates indicated:

Authorized Capital	Outstanding as at December 31, 2000 (audited)	Outstanding as at March 15, 2001 before giving effect to the Amalgamation and the Offering (unaudited)	Outstanding as at March 15, 2001 after giving effect to the Amalgamation and to the Offering ⁽⁵⁾ (unaudited)
Debt			
Convertible Debentures ⁽¹⁾	\$800,000	\$500,000	\$500,000
Share Capital			
Common Shares (unlimited)	\$10,341,904 (20,434,277 shares)	\$10,710,904 (21,163,277 shares)	\$23,834,304 (39,197,284 shares)
Purchase Warrants	Nil	Nil	5,000,000
Warrants ⁽²⁾	166,604	166,604	166,604
Special Warrants ⁽³⁾	\$1,573,560 (1,743,000 Special Warrants)	\$1,898,400 (2,095,000 Special Warrants)	Nil
Agents' Options	Nil	Nil	1,000,000
Broker Warrants ⁽⁴⁾	Nil	209,500	209,500

Notes:

- (1) A Convertible Debenture in the principal amount of \$300,000 was converted into an aggregate of 369,000 Common Shares at a deemed price of \$1.00 per Common Share on February 9, 2001. A Convertible Debenture in the principal amount of \$500,000 is convertible into Common Shares at a price of \$1.125 per Common Share (maturing on January 24, 2002) bearing an interest rate of 9.5% . The debenture is redeemable by the Corporation with 45 days notice.
- (2) Each Warrant may be exercised for a Common Share at an exercise price of \$1.38 per share. The Warrants expire as to 40,000 on December 10, 2001; 5,804 on December 18, 2001; 10,000 on December 22, 2001; 36,300 on January 1, 2002; 34,500 on February 5, 2002; and 40,000 on May 17, 2002.
- (3) Each Special Warrant is exercisable for one Common Share for no additional consideration, subject to adjustment in certain circumstances.
- (4) Each Broker Warrant will be converted into a Broker's Option for no additional consideration. Each Broker's Option is exercisable for one Common Share at a price of the greater of the offering price and \$1.00 per share, subject to adjustment in certain circumstances.
- (5) Calculated based on the assumption that 10,000,000 Units will be sold under the Offering.

PRIOR SALES

During the 12 months prior to the date hereof, 12,779,990 Common Shares have been issued as follows:

Date	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration Received
May 30, 2000	5,671,703	\$0.50	\$2,835,852	Cash
October 31, 2000	6,085,221	\$0.50	\$3,042,611	Cash
November 15, 2000	294,066	\$0.50	\$147,033	Cash
February 9, 2001	369,000	\$1.00	\$369,000	Conversion of Debt
March 1, 2001	360,000	\$0.50	\$180,000	Exercise of Options

PRINCIPAL SHAREHOLDERS

As at the date hereof, no shareholders of the Corporation beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to all of the issued and outstanding voting securities of the Corporation.

DIRECTORS AND OFFICERS OF THE CORPORATION

The names and municipalities of residence of the directors and officers of the Corporation, their principal occupations, positions and offices with the Corporation and the dates upon which each such person first became a director of the Corporation are as set forth below:

Name and Municipality of Residence	Position(s) Currently Held	Principal Occupation	Date First Became a Director	Number and Percentage of Common Shares Beneficially Owned	Number and Percentage of Amalco Shares Beneficially Owned After Giving Effect to the Amalgamation
Trevor M. Apperley Calgary, AB	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation	November, 2000	50,000 ⁽³⁾ /0.2%	50,000 ⁽³⁾ /0.2%
Martin A. Lambert ⁽¹⁾⁽²⁾ Calgary, AB	Director	Partner, Bennett Jones LLP	September, 2000	240,000 ⁽⁴⁾ /1.2%	240,000 ⁽⁴⁾ /0.8%
Dorington Little ⁽¹⁾ Paradise Valley, Arizona	Director	President, Rodeo Resources Ltd., a private consulting company	September, 1997	216,000 ⁽⁵⁾ /1.0%	216,000 ⁽⁵⁾ /0.7%
Doug Marlin ⁽²⁾ Calgary, AB	Director	President, Marlin Ventures Inc., a private consulting company since 1997 and the President of JDA Software Canada Ltd. from 1988 to 2000	September, 2000	10,000/0.05%	10,000/0.03%
Alan E. Winter Vancouver, BC	Director and Chairman of the Board	President, Winteck Consulting Inc., a private consulting company; President of Comden Space Group from 1997 to 1999; and the President and Chief Executive Officer of MPR Teltech Ltd. from 1992 to 1996	September, 2000	9,248 ⁽⁶⁾ /0.04%	9,248 ⁽⁶⁾ /0.03%
Richard R. Charron Calgary, AB	Chief Financial Officer	Chief Financial Officer of the Corporation	Not Applicable	50,000 ⁽⁷⁾ /0.2%	50,000 ⁽⁷⁾ /0.2%
Robert W. Gordon Edmonton, AB	Corporate Secretary & Vice President, Operations	Corporate Secretary & Vice President, Operations of the Corporation	Not Applicable	20,000 ⁽⁸⁾ /0.2%	20,000 ⁽⁸⁾ /0.1%
Tokunosuke Ito Calgary, AB	Chief Technology Officer	Chief Technology Officer of the Corporation	Not Applicable	715,000 ⁽⁹⁾ /9.3%	715,000 ⁽⁹⁾ /6.7%

Name and Municipality of Residence	Position(s) Currently Held	Principal Occupation	Date First Became a Director	Number and Percentage of Common Shares Beneficially Owned	Number and Percentage of Amalco Shares Beneficially Owned After Giving Effect to the Amalgamation
M.J. Denise LaForge Calgary, AB	Vice President, Marketing & Sales	Vice President, Marketing & Sales of the Corporation	Not Applicable	476,000/2.3%	476,000/1.7%
Keith T. Smith Calgary, AB	Vice President, Corporate Development	Vice President, Corporate Development of the Corporation	Not Applicable	254,000 ⁽¹⁰⁾ /1.2%	254,000 ⁽¹⁰⁾ /0.9%

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Excludes 130,000 Shares held by Mr. Apperley's spouse.
- (4) Excludes 60,000 shares held by Mr. Lambert's spouse.
- (5) These shares are held by the Dorington Little Family Trust.
- (6) Does not include 10,000 Special Warrants owned by Wintek Consulting Inc., a company controlled by Mr. Winter.
- (7) Excludes 100,000 shares held by Mr. Charron's spouse.
- (8) Excludes 10,000 shares held by Mr. Gordon's spouse.
- (9) Mr. Ito owns 300,000 shares personally and beneficially owns 400,000 shares through his 25% ownership of Tokudon Limited and 15,000 shares through his 50% ownership of 372114 Alberta Ltd.
- (10) Excludes 200,000 shares held by Mr. Smith's spouse.
- (11) Directors of the Corporation have been elected to hold office until the close of the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

MANAGEMENT

The following is a brief description of key management of the Corporation:

Trevor M. Apperley – President, Chief Executive Officer and Director

Trevor M. Apperley is 50 years old and received his Bachelor of Administration degree with distinction, from the University of Saskatchewan in 1976. Mr. Apperley has served as President and Chief Executive Officer and Director of the Corporation since November 2000. Since November 2000 he has also served as President and Chief Executive Officer and Director of Z.I. Probes Inc. and Z.I. Probes (U.S.) Inc. Prior to joining the Corporation, Mr. Apperley served as Vice President, Corporate Development with CanWest Global Communications Corp. (listed on the TSE under the trading symbol “CGS.S” and “CGS.A” and on the New York Stock Exchange (“NYSE”) under the trading symbol

Mr. Apperley’s responsibilities included leading the strategic growth of Canada’s largest international media company, operating and/or holding substantial interests in newspapers, conventional television, out-of-home advertising, specialty cable channels, radio networks, program production and distribution and interactive media in Canada, the United Kingdom, Ireland, Australia and New Zealand. Previously, from 1992 to 1999, Mr. Apperley was with Telus Corporation (listed on the TSE under the trading symbol “T” and “T.A” and on the NYSE under the trading symbol “TU”), Canada’s second largest national telecommunications companies providing voice, data, interactive media, advertising and wireless services, where he served as Vice President, Business Development.

Richard R. Charron – Chief Financial Officer

Richard Charron is 52 years old and received an Honours degree in Economics and Mathematics from Brock University in 1973 and his Masters of Business Administration from Queen’s University in 1997. Mr. Charron is a contractor with the Corporation and joined the Corporation in August 2000 as its Chief Financial Officer. Mr. Charron is the President and Chief Executive Officer of Arron Consulting

Inc., a private financial consulting company wholly owned and managed by Mr. Charron. Mr. Charron is also the President and a Director of Wrangler West Capital Corporation, a private holding company operating in Alberta. Prior to joining the Corporation, Mr. Charron was the Chief Executive Officer of Strategy Bridge Inc. from March to August 2000, which company was sold to Fintech Services Ltd. From August 1998 to March 1999, Mr. Charron was the Chief Financial Officer for Net Shepherd Inc., (listed on the CDNX under the trading symbol “WEB”) a technology company providing proprietary data mining technology to companies seeking low cost information acquisition solutions. During the same period Mr. Charron was also the Chief Financial Officer for Answers.com Ltd., a subsidiary of Net Shepherd Inc. located in Pasadena, California. From March 1997 until joining Net Shepherd, Mr. Charron operated Arron Consulting Inc. providing consulting and financial advice and services for start up enterprises. From 1993 to 1997, Mr. Charron was the Executive Director of Net Income Stabilization Administration, a Government of Canada Fund used to stabilize farm income and assist with risk management in farm operations.

Robert W. Gordon – Corporate Secretary and Vice President, Operations

Robert W. Gordon is 46 years old and received his Bachelor of Arts degree from the Trinity Western University in 1983 and his Bachelor of Laws degree from the University of Alberta in 1986. Mr. Gordon completed his Articles and was admitted to the Alberta Bar in 1987. Mr. Gordon has served as Corporate Counsel and Vice President of Operations for the Corporation since 1992. Throughout Mr. Gordon’s employment with the Corporation he has served in a number of other capacities as required, including Vice President of Sales and Marketing and Vice President of Finance. Prior to joining the Corporation, he served as an associate lawyer with the firm of Fraser Milner Casgrain from 1987 to 1992. Since 1991 Mr. Gordon has served on the Board of Governors of Trinity Western University, serving for three years as Chairman.

Tokunosuke Ito – Chief Technology Officer

Tokunosuke Ito is 42 years old and received a Bachelor of Sciences, Mechanical Engineering, a Master of Sciences, Mechanical Engineering and a Ph.D. in Mechanical and Aerospace Engineering from Oklahoma State University in 1982, 1985 and 1987, respectively. After completing his academic work, Dr. Ito served as a project engineer at the University where he participated in a number of notable research and design projects. During 1984 and 1985, Dr. Ito developed a mobile robot system for Diagnetic Inc. and a robotic ammunition loader system for the U.S. Army Human Engineering Lab. In 1985 Dr. Ito assessed and resolved contaminant sensitivity of the Space Shuttle's hydraulic servo valves, a problem that had caused the cancellation of a number of scheduled launches. In 1987 he developed a control design for a hydraulic suspension system that was incorporated by Volvo in their automobiles. Dr. Ito joined the Corporation in 1987 and currently serves as its Chief Technology Officer where his responsibilities include developing, refining and communicating the technology vision of the Corporation and designing, developing and improving its products and systems. Dr. Ito has written or co-authored 15 technical research papers and articles in several different academic journals. He is a co-founder of the Corporation where he directs the research and design team and is responsible for establishing and communicating corporate technology vision. Dr. Ito is a member of the Society of Petroleum Engineers.

M.J. Denise LaForge – Vice President, Marketing and Sales

M.J. Denise LaForge is 37 years old and received a bachelor of Mechanical Engineering from the University of New Brunswick in 1988. Ms. LaForge is a contractor with the Corporation and has served as Vice President of Marketing and Sales of the Corporation since May 2000, where she is responsible for the overall branding and positioning strategy for the Corporation and sales strategy for its products. Prior to joining the Corporation, she co-founded and directed the start-up of Lion Industries Inc., a wholesale

business based in Calgary, Alberta. From 1994 to present, Ms. LaForge managed an umbrella of investments under the corporate name of NBO Capital Corp. From 1993 to 1994, she served as Vice President of Corporate Development at Stealth Resources Limited. Prior to 1993, Ms. LaForge served as a project engineer at Petro-Canada.

Keith T. Smith – Vice President, Corporate Development

Keith Smith is 44 years old and received his Bachelor of Arts from the University of Alberta in 1978 and a Law Degree from the University of Wisconsin in 1981. Mr. Smith is a contractor with the Corporation and has served as Vice President, Corporate Development of the Corporation since April 2000, where he is responsible for business and corporate development such as strategic alliances and corporate strategy. Mr. Smith practiced law with Bennett Jones LLP from 1983 to 1994, when he resigned from the partnership to pursue business opportunities. From January 1995 to February 1997, Mr. Smith was a private consultant and provided financial and business advice to oil and gas companies and institutional investors. In February 1997, Mr. Smith became the Executive Vice President and a Director of the WestCastle Energy Trust, which was listed on the TSE. The Trust was sold in August 1998. From August 1998 to April 2000, Mr. Smith was the Executive Vice President of Acanthus Resources Ltd., a private oil and gas company in which he holds an equity interest. Mr. Smith was a director of Medianet Communications Corp., a company listed on the CDNX, Exchange Resources Ltd. (a company formerly listed on the CDNX) and Canrise Resources Ltd. (a company formerly listed on the TSE).

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the total compensation paid, during each of the last three financial years (as applicable), to the Chief Executive Officer and other executive officers of the Corporation and its subsidiaries who received total remuneration, determined on the basis of base salary and bonuses, in excess of \$100,000 during the last three financial years (the "Named Executive Officers").

Name and Principal Position	Year ⁽⁵⁾	Annual Compensation			Long-term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Securities Under Options/Granted (#)	Restricted Shares/Units Awarded (#)	LTIP Payouts (\$)	All Other Compensation (\$)
Trevor Apperley ⁽²⁾ President and Chief Executive Officer	2000	30,000	Nil	Nil	250,000	Nil	Nil	Nil
Don Clark ⁽³⁾ President and Chief Executive Officer	2000	154,573	Nil	4,800	190,000	Nil	Nil	Nil
	1999	110,670	Nil	8,040	Nil	Nil	Nil	Nil
	1998	120,360	Nil	5,349	Nil	Nil	Nil	Nil
Tokunosuke Ito ⁽⁴⁾ Chief Technology Officer	2000	131,431	Nil	4,800	190,000	Nil	Nil	Nil
	1999	110,670	Nil	7,066	Nil	Nil	Nil	Nil
	1998	120,360	Nil	5,391	Nil	Nil	Nil	Nil
Robert Gordon Vice President, Operations and General Counsel	2000	112,000	Nil	Nil	145,000	Nil	Nil	Nil

Notes:

- (1) Perquisites and other personal benefits received in 1998, 1999 and 2000 did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonuses for any of the Named Executive Officers.
- (2) Mr. Apperley was appointed President and Chief Executive Officer of the Corporation on November 1, 2000. Mr. Apperley was compensated through Z.I. Probes Inc.
- (3) Mr. Clark was the President and Chief Executive Officer of the Corporation and its operating subsidiaries, Z.I. Probes Inc. and Z.I. Probes (U.S.) Inc. until September 2000. Mr. Clark was compensated through Z.I. Probes Inc.
- (4) Mr. Ito was compensated through Z.I. Probes Inc.
- (5) In June 1999, the Corporation changed its year end from August 31, to December 31.

Stock Option Plan

Option Grants During the Year Ended December 31, 2000

The following table sets forth certain information respecting the numbers of stock options or stock appreciation rights which were granted to the Named Executive Officers during the financial year ended December 31, 2000.

	Common Shares Under Options Granted	% of Total Options Granted in Fiscal year	Exercise Price	Closing Market Price on Date of Grant	Expiry Time
Trevor Apperley ⁽¹⁾ President and Chief Executive Officer	250,000	12.8%	\$0.50	\$0.50	November 1, 2005
Don Clark ⁽²⁾ President and Chief Executive Officer	190,000	9.7%	\$0.50	\$0.50	May 30, 2005
Tokunosuke Ito ⁽⁴⁾ Chief Technology Officer	190,000	9.7%	\$0.50	\$0.50	May 30, 2005

	Common Shares Under Options Granted	% of Total Options Granted in Fiscal year	Exercise Price	Closing Market Price on Date of Grant	Expiry Time
Robert Gordon Vice President, Operations and General Counsel	145,000	7.4%	\$0.50	\$0.50	May 30, 2005

Notes:

- (1) Mr. Apperley was appointed President and Chief Executive Officer of the Corporation on November 1, 2000. Mr. Apperley was compensated through Z.I. Probes Inc.
- (2) Mr. Clark was the President and Chief Executive Officer of the Corporation and its operating subsidiaries, Z.I. Probes Inc. and Z.I. Probes (U.S.) Inc. until September 2000. Mr. Clark was compensated through Z.I. Probes Inc.

Aggregated Option Exercises During the Year Ended December 31, 2000 and Financial Year-end Option Values

The following table sets forth certain information respecting the numbers and accrued value of unexercised stock options as at December 31, 2000 and options exercised by the Named Executive Officers during the financial year ended December 31, 2000:

	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2000 (#)		Value of Unexercised in-the-Money Options at December 31, 2000 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Trevor Apperley	Nil	Nil	Nil	250,000	Nil	250,000
Don Clark	Nil	Nil	Nil	190,000	Nil	190,000
Toku Ito	Nil	Nil	Nil	190,000	Nil	190,000
Robert Gordon	Nil	Nil	Nil	145,000	Nil	145,000

Compensation of Directors

The Corporation has no standard arrangement pursuant to which directors of the Corporation are compensated by the Corporation for their services in their capacity as directors, except for stock options which may be granted to directors of the Corporation. During the fiscal year ended December 31, 2000, 390,000 options to acquire Common Shares were granted to directors of the Corporation, including the 250,000 options which were granted to Mr. Apperley. See "Options to Purchase Securities".

Executive Employment Agreements

The Corporation has entered into executive employments agreements with the following individuals:

1. Trevor Apperley – President and Chief Executive Officer. Pursuant to a letter agreement entered into October 3, 2000, Mr. Apperly receives an annual salary of \$180,000 plus 250,000 stock options which will vest over 2 years. The agreement provides that a formal executive employment agreement will be entered into by the parties.
2. Robert Gordon - Vice President, Operations and General Counsel. Pursuant to a contract effective September 1, 2000, Mr. Gordon receives an annual salary of \$112,000, 145,000 stock options which vested immediately and a car allowance of \$500 per month. The contract has a 12 month salary severance provision if the Corporation terminates Mr. Gordon without cause.

3. Tokunosuke Ito - Chief Technology Officer. Pursuant to a contract effective September 1, 2000, Mr. Ito receives an annual salary of \$134,620, 190,000 stock options which vested immediately and a car allowance of \$430 per month. The contract also provides for an 18 month salary severance provision if Mr. Ito is terminated without cause.

Management Contracts

1. The Corporation has entered into a contract with Arron Consulting Inc. to provide the services of a Chief Financial Officer for the Corporation. Arron Consulting Inc. has provided the services of Richard Charron for a monthly fee of \$9,500 and 190,000 stock options granted to Mr. Charron which vest over a two year period. The contract can be terminated at any time upon providing 60 days notice.
2. The Corporation has entered into a contract with 753049 Alberta Ltd. to provide the services of a Vice President, Corporate Development. 753049 Alberta Ltd. has provided the services of Keith Smith in consideration for a monthly contractual fee of \$9,500 and 180,000 stock options granted to Mr. Smith which vested after six months. The contract can be terminated at any time upon providing 30 days notice.
3. The Corporation has entered into a management contract with NBO Capital Ltd. to provide the services of a Vice President, Sales and Marketing. NBO Capital has provided the services of Denise LaForge in consideration for a monthly fee of \$9,500 and 180,000 stock options granted to Ms. LaForge which vested after six months. The contract can be terminated at any time upon the provision of 30 days notice.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as discussed herein, there are no material interests, direct or indirect, of directors, senior officers, any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

Other than as discussed herein, none of the directors or senior officers of the Corporation nor any of their respective associates or affiliates are or have been indebted to the Corporation since its incorporation.

ESCROWED SHARES

There are currently no Common Shares in escrow. Upon completion of the Offering the Common Shares held by (i) the directors and senior officers of the Corporation and its subsidiaries; (ii) promoters of the Corporation; (iii) those individuals who own or control more than 20% of the Common Shares immediately after completion of the Offering ; and (iv) any associates and affiliates of any of the above, shall be placed in escrow and will be released as to 25% on the date the CDN issues the Exchange Notice, and as to 25% thereof on each of the 6, 12 and 18 month anniversaries of the date of the Exchange Notice. Such Common Shares shall be held in escrow pursuant to an escrow agreement (the

"Value Security Escrow Agreement") to be entered into among the Corporation, Valiant Corporate Trust Company and such security holders of the Corporation.

The number of Common Shares and the percentage of Common Shares to be held in escrow pursuant to the Escrow Agreement are as follows:

Designation of Class	Number Of Securities Held in Escrow	Percentage of Class
Common Shares	3,325,258	8.5%

Note:

(1) Assumes 39,197,284 Common Shares issued and outstanding upon completion of the Offering and the Amalgamation.

OPTIONS TO PURCHASE SECURITIES

On May 30, 2000, the directors of the Corporation approved a stock option plan (the "Plan") pursuant to which options to acquire Common Shares may be granted to the directors, officers and employees of the Corporation and to consultants retained by the Corporation. Under the Plan, the Board of Directors of the Corporation is authorized to grant options to purchase Common Shares to eligible persons.

The Plan provided that the aggregate number of Common Shares issuable upon the exercise of options granted under the Plan may not exceed 10% of the total number of issued and outstanding Common Shares and the aggregate number of Common Shares issuable to any one officer, director or full time employee of the Corporation may not exceed 5% of the total number of issued and outstanding Common Shares. The period during which an option granted under the Plan is exercisable may not exceed five (5) years from the date such option is granted. The price at which Common Shares may be acquired upon the exercise of an option may not be less than the price permitted under the rules of the stock exchange or exchanges on which the Common Shares are listed.

Subject to the foregoing restrictions, and certain other restrictions set forth in the Plan, the Board of Directors is authorized to provide for the granting of options and the exercise and method of exercise of options granted under the Plan.

Options granted under the Plan are non-assignable. Such options are subject to early termination in the event of the death of a participant or in the event that a participant ceases to be an officer, director, employee or consultant of the Corporation, as the case may be.

On February 12, 2001, the shareholders of the Corporation approved a resolution increasing the number of Common Shares reserved for issuance under the Plan to 4,200,000 (effective upon the Amalgamation) subject to the provision that at no time shall the total number of Common Shares issuable upon exercise of stock options exceed 10% of the issued capital on a fully diluted basis (not including stock options). Upon completion of the Amalgamation, the Plan will continue as the stock option plan of Amalco.

The following table sets forth options to purchase Common Shares which are outstanding under the Plan as of the date hereof:

	Number of Common Shares Under Option	Date of Grant	Exercise Price Per Common Share	Expiry Date
Directors (4 individuals) ⁽¹⁾	80,000	July 30, 2000	\$0.50	July 30, 2005
	60,000	September 1, 2000	\$0.50	September 1, 2005
Officers (6 individuals) ⁽²⁾	525,000	May 30, 2000	\$0.50	May 30, 2005
	250,000	November 1, 2000	\$0.50	November 1, 2005
	1,090,985	March 1, 2001	\$1.00	January 1, 2006
Employees (74 individuals)	434,500	May 30, 2000	\$0.50	May 30, 2005
	135,000	September 1, 2000	\$0.50	September 1, 2005
	70,500	November 1, 2000	\$0.50	November 1, 2005
	20,000	November 30, 2000	\$1.00	November 30, 2005
	25,000	January 2, 2001	\$1.10	January 2, 2006
	481,409	March 1, 2001	\$1.00	March 1, 2006
Total	3,172,394			

Note:

- (1) Directors who are not officers.
(2) Includes 190,000 stock options granted to a former executive officer of the Corporation.

RISK FACTORS

An investment in the Common Shares involves a number of significant risks and should be considered to be speculative due to the nature of the Corporation's business and its present stage of development. There is no assurance of a return on or repayment of a subscriber's capital contribution to the Corporation. In addition to the other information contained herein, investors should consider the following factors.

New Product Lines

Certain of the Corporation's products and services, including the Smart-Alek™, are new products and services, and it is expected that the Corporation will introduce other new products and services in the future. The Corporation does not have an operating track record in respect of these new products and services. The ability of the Corporation to successfully provide and sell these products and services at appropriate prices to customers on an ongoing basis has not yet been established and cannot be assured.

Technological Change

The Corporation is engaged in a field subject to rapid change and advancement. Although management believes it is making use of the best available technology and that the Corporation will be producing products that are among the most current and represent the state of the art, it is possible that the Corporation will be unable to advance its technology sufficiently to remain competitive. Accordingly, the Corporation believes that its future success depends upon its ability to enhance current products or develop and introduce new products offering enhanced performance and functionality at competitive prices. The Corporation's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Corporation's business, results of operations and financial condition. The ability of the Corporation to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its software products with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Corporation will be successful in these efforts.

Dependence on Market Development

The Corporation's success will depend, in part, on its ability to develop the market for its products and services. There can be no assurances that the Corporation will be able to develop its products and services successfully or that a larger market for its products and services will develop.

Future Capital Requirements

The Corporation may require additional equity or debt financing to carry on its business. There can be no assurance that additional financing will be available or, if available, will be on terms satisfactory to the Corporation.

Management of Growth

The Corporation's planned expansion is expected to place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Corporation will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage its growth. There can be no assurance that the Corporation will be able to manage its growth successfully. Any inability of the Corporation to manage its growth successfully could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Reliance on Third Parties

The Corporation's business model is based on the manufacture and distribution of its products by third parties. If these third parties are not successful in distributing the Corporation's products and services, the Corporation may not achieve its business plan objectives.

Dependence on Key Personnel

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

Product Development

The Corporation faces the risk that its designs, products, systems and services may not prove to be commercially successful or may be rendered obsolete by further scientific and technological developments. There can be no assurances of the ability of the Corporation to establish and maintain a position at the forefront in the face of such scientific and technological developments and failure to do so could have a material adverse effect on the Corporation.

Risk of Intellectual Property Claims

No assurance can be given that actions or claims alleging intellectual property infringement will not be brought against the Corporation with respect to current or future products or services, or that, if such actions are brought, the Corporation will ultimately prevail. Any such claiming parties may have significantly greater resources than the Corporation to pursue litigation of such claims. Any such claims, whether with or without merit, could have a material adverse effect on the Corporation.

Risk of Technological Defects

The firmware, software and hardware developed and to be developed by the Corporation may contain undetected errors. Although the Corporation engages in extensive testing of its firmware, software and hardware, there can be no assurance that errors will not be found in firmware, software and hardware after commencement of use of such firmware, software and hardware. Any such defects and errors could result in adverse customer reactions, negative publicity regarding the Corporation and its products, harm to the Corporation's reputation, loss of or delay in market acceptance or required product changes, any of which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Reliance Upon the Internet

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

Regulatory Risks

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

Liability Risks

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

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

Competition

The markets for remote serving and monitoring devices are expected to remain highly competitive. While the Corporation believes that it currently has unique products and that no competitors are currently offering comparable products at competitive prices, there can be no assurance that such competitors will not emerge in the near to medium term. There are several very large companies involved in remote data management processes. Such companies have more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources than the

Corporation. It is the Corporation's intention to establish marketing and distribution alliances with several of these companies but there can be no assurance that such alliances will be formed.

Dependence on a Limited Number of Products

Substantially all of the Corporation's revenues are currently derived from a limited number of products. Accordingly, the Corporation's future results of operations will depend, in part, on maintaining and increasing market acceptance of these products, as well as on the Corporation's ability to continue to enhance these products to meet the evolving needs of its customers. A reduction in demand, increase in competition or a decline in sales of such products and related services could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Dependence on Proprietary Technology

The Corporation relies on a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite the Corporation's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Corporation's products or to obtain and use information that the Corporation regards as proprietary. Policing unauthorized use of the Corporation's products is difficult, time-consuming and costly. Although the Corporation is unable to determine the extent to which piracy of its products exists, piracy is a possibility. In addition, the laws of certain countries in which the Corporation's products are sold or licensed do not protect its products and intellectual property rights to the same extent as the laws do in Canada or the United States. There is no assurance that the Corporation's means of protecting its proprietary rights will be adequate or that the Corporation's competitors will not independently develop similar technology, the effect of either of which may be materially adverse to the Corporation's business, results of operations and financial condition.

Limited Profitability

The Corporation was not profitable in fiscal 2000, 1999 or 1998. Although the Corporation has in recent periods generated cash from operations before accounting for research and development expenses, there can be no assurance that cash flow from operations in future periods will not be further impacted by such expenses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Dependence on Certain Suppliers

The Corporation relies on third-party suppliers for electronic components and other raw materials used in the Corporation's products. Although the Corporation seeks to reduce exposure to single source suppliers through inventory maintenance or with suppliers, loss of certain of these suppliers, or the inability of certain of these suppliers to deliver to the Corporation on a timely basis could have a material adverse effect on the Corporation's business operations and prospects.

Potential Fluctuations in Quarterly Results

The Corporation's quarterly operating results fluctuate depending on the timing and size of orders, the number, timing and significance of new product announcements by the Corporation and its competitors, the ability of the Corporation to develop, introduce and market new and enhanced versions of the Corporation's products on a timely basis, the level of product and price competition, the mix of direct and indirect rates and general economic factors, among others. Quarterly results in the future may be influenced by these or other factors, including possible delays in the development and shipment of new

products. Fluctuations in quarterly operating results may result in volatility in the Corporation's stock price.

Absence of Public Market

Prior to this Offering, there will have been no public market for the Common Shares. There can be no assurance that an active trading market will develop or continue upon completion of the distribution. The initial value assigned to the Common Shares has been determined by negotiation between the Corporation and the Agents, yet may not be indicative of the market price of the Common Shares after the distribution. The market price of the Common Shares could be subject to significant fluctuation in response to variations in quarterly and yearly operating results, the success of the Corporation's business strategy, competition and other factors. In addition, the stock market experiences price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of effected companies. These fluctuations may adversely effect the market price of the Common Shares.

Risks of International Operations

While the Corporation presently conducts substantially all of its operations in Canada and the United States, it expects to sell its products and services internationally as well as in the United States and Canada. The Corporation expects to expand its marketing and manufacturing activities in the United States and perhaps in other countries. As it builds operations and sales in other countries, other than Canada, the Corporation may be subject to numerous risks including unexpected changes in laws, regulations and governments policies, import and export restrictions, tariffs and trade barriers, currency exchange controls, changes in local tax rates or policies of local tax authorities, and political or economic instability. Although the Corporation cannot predict how or when its international operations will develop, any significant adverse change in any of these factors in countries in which the Corporation does business could adversely affect its operations or its financial performance.

Risk of Currency Fluctuations

At present, virtually all of the operations of the Corporation are in Canada and the Corporation incurs most of its expenses in Canadian dollars. The Corporation plans to increase its operations both in the United States and internationally and as it does, some of its business will be conducted in currencies other than the U.S. dollar. Fluctuations in the value of the Canadian dollar and other currencies against the U.S. dollar could cause the Corporation to incur foreign currency losses.

PROMOTERS

Keith Smith, Denise LaForge and Richard Charron may all be considered to be promoters of the Corporation by virtue of having taken the initiative in reorganizing the affairs of the Corporation within the two years immediately preceding the date hereof. Mr. Smith owns 434,000 Common Shares (excluding 200,000 Common Shares held by Mr. Smith's spouse) representing 2.1% of the issued and outstanding Common Shares prior to the Offering and 1.1% of the Amalco Shares after giving effect to the Offering. Ms. LaForge owns 656,000 Common Shares representing 3.1% of the issued and outstanding Common Shares prior to the Offering and 1.7% of the Amalco Shares after giving effect to the Offering. Mr. Charron owns 50,000 Common Shares (excluding 100,000 Common Shares held by Mr. Charron's spouse) representing 0.2% of the issued and outstanding Common Shares prior to the Offering and 0.1% of the Amalco Shares after giving effect to the Offering.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Corporation in the two years immediately prior to the date hereof or to be entered into which can reasonably be regarded as presently material are:

1. Sponsorship letter agreement with Yorkton Securities Inc. dated November 24, 2000;
2. Special Warrant Agency Agreement dated December 22, 2000 between the Corporation and Yorkton Securities Inc. in connection with the issuance of the Special Warrants;
3. Special Warrant Indenture dated December 21, 2000 between the Corporation and Valiant Corporate Trust Company in connection with the issuance of the Special Warrants;
4. Imperial Lock Up Agreement and Shareholder Lock Up Agreements referred to under "The Proposed Amalgamation – Shareholder Approval";
5. Amalgamation Agreement referred to under "The Proposed Amalgamation";
6. Warrant Indenture referred to under "Plan of Distribution";
7. Escrow Agreement referred to under "Escrowed Shares"; and
8. Agency Agreement referred to under "Plan of Distribution".

Copies of these agreements will be available for inspection at the head office of the Corporation, at 500, 555 – 4th Avenue S.W., Calgary, Alberta, T2P 3E7, at the offices of Bennett Jones LLP in Calgary, Alberta and Toronto, Ontario, and at the offices of the Alberta Securities Commission during ordinary business hours until the closing of the Offering.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Corporation are currently KPMG LLP, Chartered Accountants, at their offices at 10125 – 102 Street, Edmonton, Alberta, T5J 3V8. The Registrar and Transfer Agent for Common Shares and Purchase Warrants is Valiant Corporate Trust Company at its principal office at 510, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

LEGAL PROCEEDINGS

The Corporation is not a party to any legal proceedings nor are any such proceedings known to be contemplated.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Units will be passed upon by Bennett Jones LLP on behalf of the Corporation and by Burnet, Duckworth & Palmer LLP on behalf of the Agents. Partners and associates of Bennett Jones LLP beneficially owned, directly or indirectly, less than 2% of the outstanding Common Shares as at the date hereof. Partners and associates of Burnet, Duckworth &

Palmer LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares as at the date hereof.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel for the Corporation, and Burnet, Duckworth & Palmer LLP, counsel for the Agents, subject to compliance with prudent investment standards and general investment provisions of the following statutes (and where applicable, the regulations thereunder), and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals and, in certain circumstances, the filing of such policies, procedures and goals, the Common Shares comprising the Units offered hereby are not, as at the date hereof, be precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Trust and Loan Companies Act
(Canada)
Pension Benefits Standards Act, 1985
(Canada)
Financial Institutions Act (British
Columbia)
Pension Benefits Standards Act (British
Columbia)
Alberta Heritage Savings Trust Fund
Act (Alberta)
Employment Pension Plans Act
(Alberta)

Insurance Act (Alberta)
Loan and Trust Corporations Act
(Alberta)
The Pension Benefits Act, 1992
(Saskatchewan)
The Insurance Act (Manitoba)
The Pension Benefits Act, (Manitoba)
The Trustee Act (Manitoba)
Loan and Trust Corporations Act
(Ontario)
Pension Benefits Plan (Ontario)
Trustee Act (Ontario)

In the opinion of such counsel, provided that the Common Shares are listed on a prescribed stock exchange in Canada (which currently includes the CDNX and the TSE), the Common Shares will, on at the date of listing of such shares, be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans within the meaning of the Tax Act.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. The right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **A purchaser should refer to the applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.**

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant who acquires Common Shares upon the exercise of a Special Warrant, as provided for in this Prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only on the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrants. In the event that the holder of a Special Warrant is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of Special Warrants under applicable securities legislation or otherwise at law and are subject to the defenses, limitations and other provisions of such legislation.

FINANCIAL STATEMENTS OF THE CORPORATION

Consolidated Financial Statements of

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Consolidated Financial Statements

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

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Consolidated Financial Statements:

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the consolidated balance sheets of zed.i solutions inc. (formerly 628916 Alberta Ltd.) as at December 31, 2000 and December 31, 1999, and the consolidated statements of operations and deficit and cash flows for the year ended December 31, 2000, sixteen months ended December 31, 1999 and year ended August 31, 1998. 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 audits.

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 financial position of the Company as at December 31, 2000 and December 31, 1999, and the results of its operations and its cash flows for the year ended December 31, 2000, sixteen months ended December 31, 1999 and the year ended August 31, 1998 in accordance with Canadian generally accepted accounting principles.

(signed) KPMG LLP

Chartered Accountants

Edmonton, Canada

January 26, 2001, except for notes 18 and 20 which are as of March 21, 2001

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Consolidated Balance Sheets

	December 31, 2000	December 31, 1999
Assets		
Current assets:		
Cash	\$ 999,488	\$ –
Accounts receivable	788,668	1,159,683
Inventories (note 3)	786,624	1,169,855
Net investment in sales leases, current portion (note 4)	500,208	120,201
Scientific research tax credits recoverable [note 16(d)]	403,368	403,368
Prepaid expenses and deposits	75,006	22,754
	3,553,362	2,875,861
Inventories, non-current portion (note 3)	509,700	466,882
Net investment in sales leases, non-current portion (note 4)	391,501	87,568
Scientific research tax credits recoverable, non-current portion [note 16(d)]	299,287	–
Deferred development costs (note 5)	–	912,472
Capital assets (note 6)	808,098	211,870
	\$ 5,561,948	\$ 4,554,653

Liabilities and Shareholders' Equity

Current liabilities:		
Bank indebtedness (note 7)	\$ –	\$ 979,690
Accounts payable and accrued liabilities (note 8)	1,120,644	620,313
Current portion of obligations under capital leases (note 9)	192,187	79,836
Current portion of long-term debt (note 10)	736,743	529,547
Current portion of advances from shareholders (note 11)	–	245,984
	2,049,574	2,455,370
Obligations under capital leases (note 9)	66,364	172,378
Long-term debt (note 10)	236,594	545,793
Advances from shareholders (note 11)	504,034	363,587
Shareholders' equity:		
Share capital (note 12)	10,341,904	4,287,210
Special warrants [note 12(b)]	1,573,560	–
Deficit	(9,210,082)	(3,269,685)
	2,705,382	1,017,525
Commitments (notes 12 and 18)		
Subsequent events (notes 10, 12, 18 and 20)		
	\$ 5,561,948	\$ 4,554,653

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) Trevor Apperley Director

(signed) Martin Lambert Director

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Consolidated Statements of Operations and Deficit

	Year ended December 31, 2000	Sixteen months ended December 31, 1999	Year ended August 31, 1998
Revenue (note 13)	\$ 3,752,231	\$ 5,159,672	\$ 4,449,871
Expenses:			
Cost of sales (note 3)	1,759,358	1,341,771	716,464
Operations (note 5)	3,216,676	1,806,792	1,857,630
Sales, general and administrative	3,146,388	2,236,695	2,189,999
	8,122,422	5,385,258	4,764,093
Loss before the undernoted	(4,370,191)	(225,586)	(314,222)
Amortization of capital assets	332,506	371,273	292,785
Interest (note 14)	325,228	386,089	235,959
Write-off of deferred development costs (note 5)	912,472	161,421	–
	1,570,206	918,783	528,744
Net loss	(5,940,397)	(1,144,369)	(842,966)
Deficit, beginning of period:			
As previously reported	(3,269,685)	(2,299,811)	(1,351,202)
Prior period adjustment (note 15)	–	174,495	68,852
As restated	(3,269,685)	(2,125,316)	(1,282,350)
Deficit, end of period	\$ (9,210,082)	\$ (3,269,685)	\$ (2,125,316)

See accompanying notes to consolidated financial statements.

zed.i solutions inc.

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Consolidated Statements of Cash Flows

	Year ended December 31, 2000	Sixteen months ended December 31, 1999	Year ended August 31, 1998
Cash provided by (used in):			
Operations (note 19):			
Net loss	\$ (5,940,397)	\$ (1,144,369)	\$ (842,966)
Adjustments for:			
Amortization	332,506	371,273	292,785
Loss on disposal of capital assets	2,978	—	1,803
Write-down of inventories	953,681	481,149	41,590
Write-off of deferred development costs	912,471	161,421	—
Changes in non-cash operating working capital	(43,464)	768,403	(944,593)
	(3,782,225)	637,877	(1,451,381)
Financing:			
Line of credit advances (repayment)	(940,000)	—	80,000
Proceeds from shares issued	5,524,739	38,383	943,130
Proceeds from special warrants issued	1,573,560	—	—
Repayment of long-term debt	(557,714)	(105,557)	—
Proceeds from long-term debt	—	—	960,543
Proceeds from sale and leaseback	—	250,000	—
Repayment of capital lease obligations	(102,988)	(17,124)	—
Advances from shareholders	530,000	315,000	50,452
Repayment of shareholder advances	(385,537)	—	(50,855)
	5,642,060	480,702	1,983,270
Investments:			
Deferred development costs	—	(1,154,096)	(486,484)
Acquisition of capital assets	(826,604)	(37,049)	(90,370)
Proceeds on disposal of capital assets	5,947	—	53,493
	(820,657)	(1,191,145)	(523,361)
Increase (decrease) in cash position	1,039,178	(72,566)	8,528
Cash position, beginning of period	(39,690)	32,876	24,348
Cash position, end of period	\$ 999,488	\$ (39,690)	\$ 32,876

See accompanying notes to consolidated financial statements.

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Notes to Consolidated Financial Statements

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

1. Nature of operations:

zed.i solutions inc. (formerly 628916 Alberta Ltd.) (the "Company") is incorporated under the Business Corporations Act of Alberta. It 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 Canada and the United States.

The Company has designed and developed a unique remote monitoring instrument that is part of a system solution it calls Smart-Alek. Smart-Alek is both a field instrument and complete Web-based information system. Smart-Alek was designed around a system concept which the Company calls the FINE system, an acronym that stands for Field Intelligence, a communications and processing Network and an End user interface. Smart-Alek is currently targeted for application on gas wells and pipelines. Following field trials and market surveys to research the needs and expectations of oil and gas producers, the Company commenced production of the first commercial version of Smart-Alek, however as at December 31, 2000 no units had been sold. The Company has begun to design the next version of the Smart-Alek, which it plans to mass produce.

The Company currently sells a number of its legacy electronic measurement and monitoring products into the marketplace, however the Company expects to place less emphasis on these products as sales for Smart-Alek grow.

During the year ended December 31, 2000, the Company raised additional capital through various private placements of shares and special warrants and the conversion of debt (see note 12). The Company plans to fund future development of Smart-Alek and the FINE system through the issue of additional share capital.

Effective December 31, 1998, the Company changed its year end from August 31 to December 31. These consolidated financial statements include comparative figures as at and for the sixteen months ended December 31, 1999. Audited consolidated financial statements are not available for the period ended December 31, 1998, as the Company did not perform physical counts of its inventories as of December 31, 1998.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiaries, Z.I. Probes Inc. and Z.I. Probes (U.S.) Inc. All significant inter-company accounts and transactions have been eliminated.

(b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 and deferred development costs are the more significant items subject to estimates in these financial statements.

(c) Inventories:

Inventories of raw materials and consumable supplies are valued at the lower of cost and replacement cost. Inventories of work-in-progress and finished goods are valued at the lower of cost and net realizable value.

(d) Net investment in sales leases:

Finance income related to the sales leases is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and earned finance income.

(e) Research and development costs:

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 Canadian generally accepted accounting principles ("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.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

2. Significant accounting policies, continued:

(f) Capital assets and assets under capital leases:

Capital assets and assets under capital leases 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 and automotive	Declining balance	10% to 30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%
Patents	Straight-line	8%

(g) Foreign currency:

Z.I. Probes (U.S.) Inc. is an integrated foreign subsidiary of the Company. Monetary items denominated in U.S. dollars are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange when the assets were acquired. Revenues and expenses are translated at the average exchange rate for the month the transaction occurred. Gains or losses arising on translation are included in income.

(h) Stock based compensation:

The Company has two stock based compensation plans, a stock option plan and an employee share trust. The Company's policy is to recognize no compensation expense when the stock options or shares are granted under either plan. Any consideration paid on exercise will be credited to share capital.

(i) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

2. Significant accounting policies, continued:

(j) Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the year ended December 31, 2000.

3. Inventories:

	December 31, 2000	December 31, 1999
Raw materials and consumable supplies	\$ 474,585	\$ 327,887
Work-in-progress	110,222	31,586
Finished goods	711,517	1,277,264
	1,296,324	1,636,737
Less finished goods classified as non-current	509,700	466,882
	\$ 786,624	\$ 1,169,855

During the year ended December 31, 2000, the Company reclassified all of its "manufactured products for commercial use" to finished goods inventory. Prior to the reclassification, these products were primarily held for rental purposes, and therefore classified as capital assets or assets under capital lease (note 6). The reclassification was made because the Company is now primarily holding these items for resale.

As at December 31, 2000, finished goods of \$509,700 have been classified as non-current for two reasons. First, Canadian generally accepted accounting principles do not allow for the reclassification of non-current assets to current assets unless the Company has sold the assets prior to the reporting date. Secondly, although finished goods are now being held primarily for resale purposes, certain items are more likely to be rented than sold in the next twelve months. As at December 31, 1999, items previously classified as "manufactured products for commercial use" and included in capital assets and assets under capital lease have been reclassified to non-current finished goods inventory to conform to the current presentation.

As at December 31, 2000 and 1999, a portion of the non-current finished goods are assets held under capital leases. The related capital leases were fully repaid by the Company in January 2001.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

3. Inventories, continued:

During the year ended December 31, 2000, the Company wrote down raw materials and finished goods inventory by \$953,681 (1999 - \$481,149 and 1998 - \$41,590) to reflect technological advancements that have reduced the service value of older products, a decrease in the recoverable value of products used for rental purposes and items that have been removed from service. The write-down has been recorded in cost of sales.

4. Sales leases:

The Company's net investment in sales leases includes the following:

	December 31, 2000	December 31, 1999
Total minimum lease payments receivable:		
2000	—	139,325
2001	579,890	94,109
2002	415,142	—
Total receivable	995,032	233,434
Less unearned income	103,323	25,665
	891,709	207,769
Less current portion	500,208	120,201
Long-term portion	\$ 391,501	\$ 87,568

During the year ended December 31, 2000, the Company sold a portion of its lease receivables to unrelated third parties ("Purchaser") at a discounted amount for cash. Under the terms of these sales, the Company continues to collect the lease payments from the customer and then forwards the payments collected to the Purchaser. The Company has also guaranteed the amount to be received by the Purchaser. Included in net investment in sales leases and long-term debt at December 31, 2000 is the principal amount of the Company's obligation to the Purchaser of the lease receivables being \$607,324.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

5. Deferred development costs:

	December 31, 2000	December 31, 1999
Labour for technical assistance	\$ —	\$ 1,047,389
Materials	—	167,145
Engineering and facility use	—	414,503
	—	1,629,037
Less accumulated scientific research tax credits	—	(716,565)
	\$ —	\$ 912,472

Deferred development costs to December 31, 1999 were for the development of the FINE system, which combines the Company's surface data system technology with wireless communications and data access technology for the end-user. In October 2000, the Company wrote off the balance of its deferred development costs of \$912,472 because their recovery could not reasonably be regarded as assured. The Company also wrote off \$161,421 during the sixteen months ended December 31, 1999.

Included in operations expense for the year ended December 31, 2000 is approximately \$1,310,000 (1999 - \$nil; 1998 - \$250,000) in research and development costs that were expensed during the period.

6. Capital assets:

	Cost	Accumulated amortization	Net book value
<u>December 31, 2000</u>			
Office furniture and fixtures	\$ 412,609	\$ 178,245	\$ 234,364
Equipment	191,476	79,701	111,775
Computer hardware	543,486	284,497	258,989
Computer software	314,792	181,016	133,776
Automotive	25,396	7,619	17,777
Patents	54,631	3,214	51,417
	\$ 1,542,390	\$ 734,292	\$ 808,098

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

6. Capital assets, continued:

	Cost	Accumulated amortization	Net book value
<u>December 31, 1999</u>			
Office furniture and fixtures	\$ 227,300	\$ 126,020	\$ 101,280
Equipment and automotive	197,388	151,125	46,263
Computer hardware	239,540	175,213	64,327
Computer software	52,564	52,564	—
	<u>\$ 716,792</u>	<u>\$ 504,922</u>	<u>\$ 211,870</u>

As at December 31, 2000, computer hardware with a net book value of \$68,706 (1999 - \$13,008) and the automotive are assets held under capital lease.

7. Bank indebtedness:

	December 31, 2000	December 31, 1999
Cheques issued in excess of funds on deposit (cash)	\$ (999,488)	\$ 39,690
Line of credit advances	—	940,000
Bank indebtedness (cash)	<u>\$ (999,488)</u>	<u>\$ 979,690</u>

In September 2000, the Company arranged a \$1,000,000 demand revolving loan with a new lender, which bears interest at the Bank's prime rate plus 1%. The loan is secured by a general security agreement, a first fixed charge over specific assets including accounts receivable and inventories, and a charge over all present and after acquired property and the postponement of all other secured creditors.

Previously, the Company's revolving line of credit bore interest at the lender's prime rate plus 2% and shared security with the advanced technology loans (note 10).

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

8. Due to related party:

During the year ended December 31, 1999, the Company entered into an arrangement with certain shareholders and other investors ("investors") to finance the manufacture of a limited number of the Company's products ("ZIP Investor Joint Venture"). Under the terms of the agreements between the Company and the investors, the investors provided \$410,000 to purchase the raw material inventory required for the agreed quantity of finished goods. The investors, through the ZIP Investor Joint Venture, owned the raw material inventory, or the finished goods produced from that inventory. The Company was obligated to repurchase finished goods from the ZIP Investor Joint Venture to supply customers in priority to similar products owned by the Company. As consideration for their investment, the investors received proceeds equal to the raw material cost of the products on the sale of the finished goods plus 25%. During the year ended December 31, 2000, the Company met its obligation under the arrangement.

Included in accounts payable and accrued liabilities as at December 31, 1999 is \$78,730 owing to the ZIP Investor Joint Venture on normal commercial terms. During the year ended December 31, 2000, certain of the shareholders in the ZIP Investor Joint Venture converted the amounts due to them into common shares [note 12(a)].

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

9. Obligations under capital leases:

	December 31, 2000	December 31, 1999
Copelco Capital, monthly payments of \$1,690 (1999 - \$699; 1998 - \$375) with interest at 9.7% to 30.9%, due between November 1999 and November 2002	\$ 28,875	\$ 13,444
Calaken Leasing Ltd., monthly payments of \$8,490 with interest at 13.5%, due December 2002. This lease was repaid in January 2001	158,010	238,770
Chrysler Credit Canada, monthly payments of \$427 (1999 - \$nil) with interest at 5.5%, due March 2003	20,965	—
Dell Finance Services Canada, monthly payments of \$1,955 with interest at 11.6% to 19.0%, due between June 2003 and December 2003	50,701	—
	258,551	252,214
Less current portion	192,187	79,836
Long-term portion	\$ 66,364	\$ 172,378

Future minimum lease payments and the present value of the net minimum lease payments under the capital leases are as follows:

	December 31, 2000	December 31, 1999
Year ending December 31:		
2000	\$ —	\$ 110,256
2001	146,492	107,687
2002	144,716	88,931
2003	28,460	—
Total minimum lease payments	319,668	306,874
Less interest therein	61,117	54,660
Present value of net minimum lease payments	\$ 258,551	\$ 252,214

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

10. Long-term debt, including accrued interest:

	December 31, 2000	December 31, 1999
Convertible subordinated debenture, unsecured, bearing interest at 10.5% payable annually. The debenture, including accrued and unpaid interest, is convertible into common shares at a price of \$1.00 per share. This debenture was converted to common shares in January 2001	\$ 366,013	\$ 330,803
Debt related to the sale of lease receivables to unrelated third parties ("Purchaser"), where the Company is required to collect the lease payments from the customers and then remit such amounts to the Purchasers. The Company's exposure is limited to the credit risk related to the collection of the lease payments	607,324	—
Western Diversification Program, unsecured, bearing interest at 8% to 8.5%, repayable in quarterly instalments to September 2000	—	135,784
Toronto Dominion Bank advanced technology loans, due on demand, bearing interest at the Bank's prime rate plus 3% payable in monthly instalments of \$5,226, plus interest, due November 2003, secured by a general security agreement providing a charge over book debts and inventories and postponement of certain shareholders' advances (note 11)	—	206,940
Promissory note, secured by a general security agreement providing a charge against the assets of the Company, subordinated to the security interests of the Company's bank, bearing interest at 12% to March 31, 1999 and at 18% per annum thereafter, compounded annually, due January 10, 2000; guaranteed by two shareholders in the amount of \$500,000 each and by the pledge of common shares owned by a shareholder [see note 12(d)]	—	186,823
Promissory note, secured by a general security agreement providing a charge against the assets of the Company, subordinated to the security interests of the Company's bank, bearing interest at 12% per annum to May 17, 2000 and at 15% per annum thereafter, due May 17, 2001 [see note 12(d)]	—	214,990
	973,337	1,075,340
Less current portion	736,743	529,547
Long-term portion	\$ 236,594	\$ 545,793

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

11. Advances from shareholders, including accrued interest:

	December 31, 2000	December 31, 1999
Convertible, redeemable debenture, secured by a general security agreement, at 9.5% per annum, due January 24, 2002. Prior to maturity, the debenture, including all accrued and unpaid interest, is convertible into common shares at a price of \$1.125 per share [note 12(f)]	\$ 504,034	\$ —
Secured advances, bearing interest at 13% per annum, due on demand (see below)	—	245,984
Unsecured advances, bearing interest at 8% to 9.5% per annum, payable annually or at the end of the term at the discretion of the lender, with no fixed terms of repayment	—	37,434
Unsecured, postponed in favour of the Company's bank (note 10), interest payable annually or at maturity at the discretion of the lender:		
Advance, bearing interest at 12% per annum, with no fixed terms of repayment	—	40,052
Advance, bearing interest at 12% per annum to December 1999 and 15% thereafter, due December 23, 2000 [see note 12(d)]	—	50,164
Advances, bearing interest at 12% per annum to December 1999 and at 15% thereafter, no fixed terms of repayment [see note 12(d)]	—	235,937
	504,034	609,571
Less current portion	—	245,984
Long-term portion	\$ 504,034	\$ 363,587

The secured advances as at December 31, 1999 were secured by an assignment of the Company's proceeds of the scientific tax credits for the period September 1, 1998 to December 31, 1999 [note 16(b)]. During the year ended December 31, 2000, these advances including accrued interest for a total of \$250,000 were converted to 500,000 common shares [note 12(a)].

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

12. 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:

	December 31, 2000		December 31, 1999	
	Number	Amount	Number	Amount
Balance outstanding, beginning of period	8,373,396	\$ 5,537,210	7,086,612	\$ 4,248,827
Shares issued:				
From treasury for cash	11,021,078	5,524,738	1,286,784	1,288,383
Due to related party converted (note 8)	168,880	84,440	—	—
Promissory note converted (note 10)	391,032	195,516	—	—
Shareholder advances converted (note 11)	500,000	250,000	—	—
	12,080,990	6,054,694	1,286,784	1,288,383
Repurchase of shares from employee trust	(20,109)	(20,109)	—	—
Balance outstanding, end of period	20,434,277	11,571,795	8,373,396	5,537,210
Less employee share trust plan	—	(1,229,891)	—	(1,250,000)
	20,434,277	\$10,341,904	8,373,396	\$ 4,287,210

On May 30, 2000, the Board of Directors of the Company approved an increase in the number of issued and outstanding common shares of the Company on the basis of four new common shares for each one common share presently issued and outstanding ("Stock Split"). All references to common shares and per share amounts in the consolidated financial statements have been restated to reflect the Stock Split on a retroactive basis.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

12. Share capital, continued:

(b) Special warrants, broker warrants and second offering:

In December 2000, the Company and an agent entered into an agency agreement pursuant to which the agent agreed to assist the Company in issuing up to 2,000,000 special share purchase warrants ("Special Warrants") at a price of \$1.00 per Special Warrant on a private placement basis. The Special Warrants would entitle the holder thereof to acquire one common share of the Company for no additional consideration.

On December 22, 2000, the Company completed a portion of the private placement pursuant to which 1,743,000 Special Warrants were issued at a price of \$1.00 per Special Warrant. The net proceeds to the Company after the related issuance costs (8% agency fee and other offering costs of \$30,000) were \$1,573,560.

In January 2001, the Company completed the private placement whereby an additional 352,000 Special Warrants were issued at \$1.00 per Special Warrant, for net proceeds after agent costs of \$324,840.

Pursuant to the terms of the private placement, if certain conditions are not met, each holder of the Special Warrants shall be entitled to 1.1 common shares for each Special Warrant exercised.

In conjunction with the private placement, an aggregate of 209,500 broker warrants were issued to the agent. Each broker warrant entitles the holder thereof to acquire one common share of the Company at the greater of \$1.00 per share and the offering price in the offering described in note 20(a). These broker warrants expire eighteen months after the closing date.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

12. Share capital, continued:

(c) Stock options:

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 year ended December 31, 2000, the Company granted a total of 1,965,500 stock options. Of the stock options granted, 1,945,500 were granted with an exercise price of \$0.50 per share and an expiry date between May and November 2005. The remaining 20,000 options were granted with an exercise price of \$1.00 per share and an expiry date of November 2005. During the year, no options were exercised, while 30,500 issued at \$0.50 per share were forfeited.

As at December 31, 2000, 1,935,000 stock options remain outstanding, of which 885,000 have vested. The remaining options vest over a period of two to three years.

(d) Warrants issued pursuant to promissory notes and shareholder advances:

As at December 31, 2000, pursuant to promissory notes (note 10) and shareholder advances (note 11), the Company has issued 132,104 (December 31, 1999 - 132,104) share purchase warrants, exercisable at \$1.38 per share and expiring between December 2001 and May 2002.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

12. Share capital, continued:

(e) Employee share trust:

During the period ended December 31, 1999, the Company created an employee share trust and made an interest free loan of \$1,250,000 to enable the trust to purchase 1,250,000 (formerly 312,500 before Stock Split) 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.

During the year ended December 31, 2000, no shares have been purchased by employees pursuant to this trust, 20,190 shares expired and substantially all of the 1,229,891 remaining shares have vested.

(f) Convertible debentures:

As described in notes 10 and 11, the Company has issued debentures which are convertible into common shares of the Company.

(g) Consulting agreement:

On February 5, 2001, the Company is required, pursuant to a consulting agreement, to issue common shares, the number of which is determined by dividing the value of the services provided by the market price of the shares on that day. The market price, if the Company is publicly traded, is the trading price on the listed exchange at the close of business on February 5, 2001. If the Company is private, the market price is the most recent price of shares issued from treasury prior to February 5, 2001. In addition, the Company granted share purchase warrants entitling the holder thereof to acquire 34,500 common shares. The warrants have an exercise price at \$1.37 per share and expire February 5, 2002. As at December 31, 2000, the value of the services provided under this contract total \$138,000, which has been recorded in accounts payable and accrued liabilities.

zed.i solutions inc.

(formerly 628916 Alberta Ltd.)

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

13. Revenue:

Revenue for the year ended December 31, 2000 includes \$48,482 from interest on sales leases (1999 - \$49,256; 1998 - \$18,097).

During the year ended December 31, 2000, the Company generated approximately 57% of its revenue in the U.S., 9% in Canada, 13% in the Middle East and 21% in other geographic regions. The Company's operations and assets are primarily located in Canada with approximately 17% of its identifiable assets based in the U.S.

The sixteen month period ended December 31, 1999 includes revenues of \$1,270,182 from the period September 1, 1998 to December 31, 1998 and revenues of \$3,889,490 from the period January 1, 1999 to December 31, 1999.

14. Interest:

Interest expense in the statement of operations is comprised of:

	December 31, 2000	December 31, 1999	August 31, 1998
Bank indebtedness	\$ 23,363	\$ 198,398	\$ 84,984
Advance from shareholders	57,744	67,082	50,452
Long-term debt and capital leases	244,121	120,609	100,523
	\$ 325,228	\$ 386,089	\$ 235,959

15. Prior period adjustment:

Effective September 1, 1998, the accounting treatment of certain leases related to manufactured products provided to customers, which had previously been accounted for as operating leases, has been changed to reflect such leases as sales type leases. This change has been applied on a retroactive basis and the prior years have been restated. As a result, for the year ended August 31, 1998, revenue was increased by \$184,084, net investment in sales leases was increased by \$308,603, cost of sales was increased by \$78,441 and manufactured products for commercial use (now classified as finished goods inventory) were decreased by \$134,108 and the opening deficit as of September 1, 1997 was decreased by \$68,852 (September 1, 1998 deficit decreased by \$174,495).

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

16. Income taxes:

(a) Expected tax rate:

The expected effective tax rate for a public company in Alberta is approximately 44% and approximately 35% for the Company's U.S. subsidiary.

(b) Change in accounting policy:

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the accounting for income taxes. The Company has adopted the new income tax accounting standard as of December 31, 2000 and has applied the provisions of the standard retroactively to September 1, 1997.

The CICA's new standard on accounting for income taxes adopts the liability method of accounting for future income taxes. Under the liability method, income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance, reviewed quarterly by management, is recorded sufficient to reduce the future income tax asset to the amount that is more likely than not to be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and were measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

16. Income taxes, continued:

(c) Net future tax asset:

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 2000 and 1999 are presented below:

	December 31, 2000	December 31, 1999
Future tax assets and liabilities:		
Non-capital losses carried forward CDN	\$ 1,970,000	\$ 199,000
Non-capital losses carried forward U.S.	300,000	300,000
Capital assets, differences between net book value and undepreciated capital cost	195,000	445,000
Scientific research tax pools and credits	858,000	228,000
Total	3,323,000	1,172,000
Less valuation allowance	(3,323,000)	(1,172,000)
Net future tax asset	\$ —	\$ —

The non-capital losses carried forward expire primarily between 2004 and 2007.

(d) Scientific research tax credits carried forward:

Z.I. Probes Inc. is eligible to receive scientific research tax credits arising from scientific research and experimental development activities. During the period ended December 31, 2000, the Company accrued scientific research tax credits of \$299,287, which were applied against research and development expense. In the sixteen months ended December 31, 1999, the Company accrued scientific research tax credits of \$403,368, and applied these credits against deferred development costs. Unclaimed tax credits of \$2,600 (1999 - \$2,600) remain at December 31, 2000. The claims for tax credits are subject to review by Canada Customs and Revenue Agency.

The scientific research tax credits recoverable were previously pledged as security for certain advances from shareholders (note 11).

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

17. Financial instruments:

Fair values:

The carrying values of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and due to related parties approximate their fair value due to the relatively short periods to maturity of the instruments.

The carrying values of net investment in sales leases and obligations under capital leases do not differ significantly from their fair values.

Credit risk:

At December 31, 2000, no customer represented a significant percentage of total accounts receivable. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but mitigates this risk by dealing only with financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Foreign exchange risk:

The Company earns revenue and records accounts receivable and sales leases in foreign currency translated to Canadian dollars at the time of the 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 and the receipt of cash. The accounts receivable are short-term in nature. The sales leases are of a longer term and are subject to fluctuations in the value of the U.S. 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.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

18. Commitments:

(a) Amalgamation agreement:

On November 15, 2000, the Company entered into an amalgamation agreement with Colony Pacific Explorations Ltd. ("Colony"), a company whose shares are listed on the Canadian Venture Exchange ("CDNX") and the Toronto Stock Exchange ("TSE"). The amalgamation agreement provides that the Company and Colony will amalgamate once the necessary regulatory approvals are obtained. The amalgamated corporation ("Amalco") will continue under the name zed.i solutions inc. Colony has agreed to voluntarily delist from the TSE prior to completion of the amalgamation. The shares of the amalgamated company have conditionally been approved for listing on the CDNX, subject to it fulfilling all of the requirements of the CDNX

The amalgamation agreement provides that the shares of Colony and the Company will be exchanged as follows:

- (i) each shareholder of Colony will exchange their shares of Colony for Amalco shares on the basis of 0.342 Amalco shares for each Colony share; and
- (ii) each shareholder of the Company will exchange their shares of the Company for Amalco shares on the basis of one Amalco share for every one Company share.

Following completion of the share exchanges noted above, including giving effect to the Company's common shares that will be issued pursuant to the subsequent shares issuances described in note 12(b), the proportion of Amalco shares attributable to Colony shareholders will be approximately 21%, while the number of Amalco shares attributable to current shareholders of the Company will be approximately 79%.

The transaction will be accounted for as a reverse take-over whereby the Company is the acquirer and Colony is the acquiree, since shareholders of the Company will own 79% of Amalco once the amalgamation is complete.

As at March 21, 2001, a shareholder holding 1,600,000 common shares of the Company has dissented from the resolution approving the amalgamation, and is entitled to be paid fair value for its shares in accordance with applicable corporate laws.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

18. Commitments, continued:

(a) Amalgamation agreement, continued:

The estimated net assets of Colony being acquired, at assigned values, in exchange for the share consideration being issued using the purchase method of accounting, as at October 31, 2000, are as follows:

	<i>(in thousands of dollars)</i>
Cash and cash equivalents	\$ 1,376
Accounts receivable	71
Note receivable	133
Oil and natural gas properties	600
Accounts payable and accrued liabilities	(44)
Future site restoration costs	(36)
Net assets acquired at assigned values	\$ 2,100

The assigned values at December 31, 2000 do not materially differ from those at October 31, 2000.

(b) Operating leases:

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

2001	\$ 208,000
2002	219,000
2003	229,000
2004	94,000
2005	109,000
	\$ 859,000

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

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended

December 31, 1999 and year ended August 31, 1998

19. Supplemental information on cash flows:

	December 31, 2000	December 31, 1999	August 31, 1998
Scientific research tax credits recovered	\$ —	\$ 348,351	\$ —
Interest paid	281,594	196,920	215,551

See notes 3, 9, 10, 11 and 12 for non-cash transactions not disclosed in the statement of cash flows.

20. Subsequent events:

(a) Initial public offering and prospectus:

The Company is in the process of completing an initial public offering and filing a prospectus. In conjunction with the offering, the Company has entered into an agency agreement pursuant to which the agents have agreed to conditionally offer for sale and the Company has agreed to issue and sell up to 10,000,000 units of the Company at a price of \$1.00 per unit. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole purchase warrant will entitle the holder thereof to acquire one common share at a price of \$1.35 per share at any time on or before twelve months from the date the purchase warrants are issued by the Company.

Pursuant to the terms of the agency agreement, the Company has agreed to pay the agents a fee equal to 8% of the gross proceeds from the sale of units under the offering. The Company will also grant to the agents that number of compensation options that is equal to 10% of the units issued under the offering, for no additional consideration. Each compensation option entitles the holder thereof to acquire, subject to adjustment, one unit at a price of \$1.00 per unit at any time on or before eighteen months from the later of: (i) the date of the closing of the offering; and (ii) completion of the amalgamation described in note 18(a).

The 2,095,000 common shares to be issued pursuant to the Special Warrants described in note 12(b) are also being qualified for distribution to the public under the prospectus.

Upon completion of the offering approximately 3,300,000 shares shall be placed in escrow and will be released as to 25% on the date the common shares are listed on the CDNX and as to 25% thereof on each of the 6, 12 and 18 month anniversaries of the listing.

zed.i solutions inc.

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Notes to Consolidated Financial Statements, continued

Year ended December 31, 2000, sixteen months ended
December 31, 1999 and year ended August 31, 1998

20. Subsequent events, continued:

(b) Stock options:

Subsequent to December 31, 2000, the Company's shareholders approved a resolution increasing the number of shares reserved for issuance under its stock option plan to 4,200,000 (effective upon the amalgamation described in note 18(a)), subject to the provision that at no time shall the total number of shares issuable upon exercise of stock options exceed 10% of the issued capital on a fully diluted basis (not including stock options).

Subsequent to December 31, 2000, the Company granted an additional 25,000 stock options that have an exercise price of \$1.10 per share and an expiry date of January 2006. The Company also granted 1,572,394 stock options that have an exercise price of \$1.00 per share and an expiry date between January and March 2006.

Also, subsequent to December 31, 2000, stock options were exercised for an aggregate of 360,000 common shares at a price of \$0.50 per share, however the related proceeds have not been received by the Company

(c) Name change:

Effective March 16, 2001, the Company changed its legal name from 628916 Alberta Ltd. to zed.i solutions inc. These financials statements have been amended throughout to give effect to the name change.

FINANCIAL STATEMENTS OF COLONY

Auditors' Report

To the Directors of Colony Pacific Explorations Ltd.

We have audited the consolidated balance sheets of Colony Pacific Explorations Ltd. as at October 31, 2000 and 1999 and the consolidated statements of income and deficit and cash flows for each of the years in the three year period ended October 31, 2000. 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 audits.

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 financial position of the company as at October 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three year period ended October 31, 2000 in accordance with Canadian generally accepted accounting principles consistently applied.

(signed) Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia

January 8, 2001 (except for Note 13 which is as at March 21, 2001)

COLONY PACIFIC EXPLORATIONS LTD.
Consolidated Balance Sheets
October 31, 2000 and 1999

	2000	1999
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,376,098	\$1,550,043
Accounts receivable	71,379	31,026
Current portion of long term note receivable	27,870	-
	1,475,347	1,581,069
Note Receivable (Note 3)	105,171	-
Mineral Properties (Note 4)	1	204,528
Oil and Natural Gas Properties (Note 5)	412,300	48,105
Fixed Assets	11,290	6,750
	\$2,004,109	\$1,840,452
LIABILITIES		
Current Liabilities		
Accounts payable and accrued charges	\$44,373	\$26,392
Future Site Restoration Costs	35,873	34,577
Deferred Foreign Exchange Gain	3,176	-
	83,422	60,969
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	9,980,863	9,980,863
Deficit	(8,060,176)	(8,201,380)
	1,920,687	1,779,483
	\$2,004,109	\$1,840,452

APPROVED BY THE BOARD:

(signed) Larry G.J. Moeller

(signed) Pierre B. Lebel

LARRY G.J. MOELLER
Director

PIERRE B. LEBEL
Director

See accompanying notes to these financial statements

COLONY PACIFIC EXPLORATIONS LTD.

Consolidated Statements of Income and Deficit

Years Ended October 31st

	2000	1999	1998
Revenues			
Oil and natural gas, net of royalties	\$302,168	\$173,260	\$178,307
Interest income	97,188	78,601	74,177
	399,356	251,861	252,484
Expenses			
Oil and natural gas production expenses	75,162	55,704	71,006
Depletion and depreciation	52,799	22,248	22,089
	127,961	77,952	99,095
Operating Income	271,395	173,909	153,389
Other Expenses			
General and administration	202,703	151,904	221,170
Writedown of mineral properties	-	51,459	3,307,645
Foreign exchange and other	(645)	675	1,452
Gain on sale of mineral property	(75,888)	-	-
	126,170	204,038	3,530,267
Income (Loss) before income taxes	145,225	(30,129)	(3,376,878)
Income taxes (Note 7)	4,021	2,662	2,903
Net Income (Loss)	141,204	(32,791)	(3,379,781)
Deficit, Beginning of Year	(8,201,380)	(8,168,589)	(4,788,808)
Deficit, End of Year	\$(8,060,176)	\$(8,201,380)	\$(8,168,589)
Income (Loss) Per Share (Note 8)	\$0.01	\$(0.00)	\$(0.19)

See accompanying notes to these financial statements

COLONY PACIFIC EXPLORATIONS LTD.

Consolidated Statements of Cash Flows

Years Ended October 31st

	2000	1999	1998
OPERATING ACTIVITIES			
Operations			
Net Income (Loss)	\$141,204	\$(32,791)	\$(3,379,781)
Add items not affecting cash flows			
Depletion and depreciation	52,799	22,248	28,089
Writedown of mineral properties	-	51,459	3,307,645
Future site restoration costs	1,296	1,100	1,657
Gain on sale of mineral property	(75,888)	-	-
Deferred foreign exchange gain on long term note receivable	(926)	-	-
	118,485	42,016	(42,390)
Net change in non-cash operating working capital balances			
Accounts receivable	(40,353)	(11,374)	16,056
Accounts payable and accrued charges	17,981	(9,518)	(158,005)
CASH PROVIDED BY OPERATING ACTIVITIES	96,113	21,124	(184,339)
INVESTMENT ACTIVITIES			
Collection of long term note receivable	(19,056)	-	-
Proceeds on sale of mineral property	(134,616)	-	-
Expenditures on mineral properties	2,196	2,029	31,990
Expenditures on (recovery of) oil and natural gas properties	412,714	-	(3,337)
Additions to fixed assets	8,820	-	1,742
Cash used in investment activities	270,058	2,029	30,395
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(173,945)	19,095	(214,734)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,550,043	1,530,948	1,745,682
CASH AND CASH EQUIVALENTS, END OF YEAR	\$1,376,098	\$1,550,043	\$1,530,948
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest income received	\$96,579	\$78,601	\$74,177
Interest expense paid	\$262	\$413	\$182
Income taxes paid	\$3,621	\$2,126	\$4,439

SUPPLEMENTAL INFORMATION ON NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended October 31, 2000 the Company sold a mineral property for aggregate proceeds of \$282,611 consisting of cash of \$134,616 and a note receivable of \$147,995.

See accompanying notes to these financial statements

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

1. NATURE OF OPERATIONS

The Company is in the exploration stage with respect to its interest in mineral properties.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of its properties and on future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable and reflect the following policies:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Colony Pacific Corporation, Quail Hill Mining Corporation and Quail Hill Resources Ltd.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include money market instruments which are readily convertible to cash or have maturities at the date of purchase of less than ninety days.

Mineral Properties

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalized by property.

On the commencement of commercial production, net costs are charged to operations on the unit-of-production method by property based upon estimated recoverable reserves.

Mineral properties are written down when a permanent and significant decline in their value has occurred and are written off when abandoned.

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and Natural Gas Properties

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Under this method, the initial acquisition costs and the costs of drilling and equipping development wells are capitalized. The costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to operations. All other exploration expenditures, including geological and geophysical costs and annual rentals on exploration acreage, are charged to operations as incurred. Lease acquisition costs, subsequently determined to be impaired in value, are charged to operations.

Depletion of the net capitalized costs of producing wells and leases is charged to operations on the unit-of-production method based upon estimated proven reserves.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and amortization. They are depreciated over their estimated useful lives as follows:

Computer equipment and software	-	30% declining balance
Office machine, furniture and fixtures	-	20% declining balance

Future Site Restoration Costs

The estimated costs for restoration of producing resource properties are accrued and charged to operations over commercial production using a rate based upon total estimated site restoration costs and recoverable reserves. The estimated costs for restoration of non-producing resource properties are accrued as liabilities when the costs of site clean-up and restoration are likely to be incurred and can be reasonably estimated. Actual site restoration costs will be deducted from the accrual.

Translation of Foreign Currency

Monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and non-monetary assets, and liabilities have been translated at the rate of exchange prevailing at the time of acquisition of the assets or assumption of the liabilities.

Revenue and expenses (other than depletion and depreciation) have been translated at rates approximating the rates of exchange prevailing on the dates of the transactions and gains and losses on translation are included in income.

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

3. NOTE RECEIVABLE

	2000	1999
Installment note receivable of US\$87,120 (1999 – US\$Nil), due in quarterly installments of US\$5,969 including interest at 7% per annum maturing on December 2, 2004 and secured by Bonne Terre real estate property (Note 4)	\$133,041	\$ -
Less portion due within one year	(27,870)	\$ -
	\$105,171	\$ -

Principal payments due in the next five years:

Year ended October 31, 2001	US\$18,250
Year ended October 31, 2002	US\$19,562
Year ended October 31, 2003	US\$20,967
Year ended October 31, 2004	US\$22,474
Year ended October 31, 2005	US\$5,867

4. MINERAL PROPERTIES

	2000	1999
Acquisition costs	\$ 1	\$219,338
Deferred exploration and development costs, net of recoveries	-	(14,810)
	\$ 1	\$204,528

Blue Moon

The Company holds a 10% net profit interest in the Blue Moon property located in Mariposa County, California, U.S.A.

Bonne Terre

During the year ended October 31, 2000 the Company sold the Bonne Terre mineral property in Tuolumne County, California for proceeds of \$282,611 and realized a pretax gain of \$75,888 on the sale. Proceeds consisted of cash of \$134,616 and a US\$100,000 note receivable (Note 3).

5. OIL AND NATURAL GAS PROPERTIES

	2000	1999
Developed properties	\$1,149,853	\$737,139
Less accumulated depletion, depreciation and writedowns	(737,553)	(689,034)
	\$412,300	\$48,105

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

5. OIL AND NATURAL GAS PROPERTIES (continued)

During the year ended October 31, 2000 the Company incurred capital expenditures totalling \$412,714 for drilling, recompletion and pipeline facilities on two natural gas properties owned by the Company's principal corporate shareholder. By incurring these capital expenditures the Company will earn a 100% of the principal corporate shareholder's working interest in these assets (Note 12). When the net revenues from these assets equals the capital expenditures incurred, the Company's interest in these assets will reduce to 25% of the principal corporate shareholder's working interest.

6. SHARE CAPITAL**a) Authorized**

100,000,000 common shares without par value

5,000,000 preferred shares without par value

b) Issued and Outstanding

	2000		1999		1998	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Common Shares						
Balance, beginning and end of year	17,365,518	\$9,980,863	17,365,518	\$9,980,863	17,365,518	\$9,980,863

c) Share Option Plan

Under the Share Option Plan (1996), the Company may grant options to the directors, officers and employees of Colony. The aggregate number of shares issuable upon the exercise of options granted under the Plan may not exceed 1,800,000 and further provides that the aggregate number of shares issuable on the exercise of option shares optioned to any one optionee is not to exceed 5% of the issued and outstanding common shares of the Company. Options granted under the Plan will have an exercise price not less than the closing price of the common shares of the Company on the stock exchange on which such shares are traded on the last trading day immediately prior to the date of grant for a term presently restricted to a maximum of ten years.

A summary of the status of the Company's share option plan as of October 31, 2000 and 1999 and changes during the years ending on those dates is presented below:

	2000		1999	
Options	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	850,000	\$2.03	850,000	\$2.03
Forfeited	(35,000)	\$0.50	-	-
Outstanding at end of year	815,000	\$2.10	850,000	\$2.03
Options exercisable at end of year	815,000	\$2.10	825,000	\$1.85

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

6. SHARE CAPITAL (continued)**Share Option Plan (continued)**

The following table summarizes information about the share options outstanding at October 31, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$1.50	740,000	5.6 years	\$1.50	740,000	\$1.50
\$8.00	75,000	5.3 years	\$8.00	75,000	\$8.00
	815,000	5.7 years	\$2.10	815,000	\$2.10

7. INCOME TAXES

The effective income tax rate differs from the Canadian federal and provincial statutory rates for the following reasons:

	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Income (Loss) before income taxes	\$145,225	100.0	\$(30,129)	(100.0)	\$(3,376,878)	(100.0)
Tax expense (recovery) thereon at the basic statutory rates	66,252	45.6	(13,745)	(45.6)	(1,540,532)	(45.6)
Increase (decrease) resulting from:						
Tax benefit of losses and deductions not previously claimed	(85,787)	(59.1)	-	-	-	-
Foreign subsidiaries taxed (recovered) at lower rates	10,026	6.9	(5,865)	(19.5)	108	0.0
Losses not tax effected	-	-	28,365	94.1	1,547,583	45.8
Resource allowance	(6,929)	(4.8)	(12,700)	(42.2)	(10,430)	(0.3)
Net nondeductible crown royalties	14,112	9.7	1,681	5.6	2,618	0.1
Large corporations tax	4,021	2.8	2,662	8.8	2,903	0.1
Other	2,326	1.7	2,264	7.6	653	0.0
Income taxes	\$4,021	2.8	\$2,662	8.8	\$2,903	0.1

At October 31, 2000 the Company had unclaimed Capital Cost Allowances and unclaimed Canadian Exploration, Canadian Development and Foreign Exploration and Development expenditures in the aggregate of \$11,520,000 (1999 - \$11,099,000; 1998 - \$11,099,000) which can be applied, subject to certain restrictions,

against future taxable income. The Company also had non-capital loss carryforwards totaling \$1,137,000 which can be applied against future taxable income and which expire commencing in 2001.

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

7. INCOME TAXES (continued)

At October 31, 2000 the Company's U.S. subsidiaries had US\$683,000 (1999 - US\$973,000; 1998 - US\$993,000) in capital properties deductible, subject to certain restrictions, against future taxable income. The subsidiaries also had loss carryforwards totaling US\$3,836,000 which expire commencing in 2002 and which can be applied against future taxable income.

The potential tax benefits related to these amounts have not been recognized in these consolidated financial statements.

8. INCOME (LOSS) PER SHARE

The income (loss) per share is calculated on the basis of the weighted average number of shares outstanding during the year ended October 31, 2000 of 17,365,518 (1999 - 17,365,518; 1998 - 17,365,518).

9. RELATED PARTY TRANSACTIONS

Related party transactions with principal corporate shareholder not disclosed elsewhere in these financial statements are as follows:

	2000	1999	1998
Accounts payable and accruals	\$4,347	\$12,592	\$10,591
Operator fees charged on exploration expenditures	\$ -	\$184	\$813
General and administration expenses	\$67,000	\$67,000	\$67,000
Capital expenditures (Note 5)	\$412,714	\$ -	\$ -

10. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development in the United States and in oil and natural gas production in Canada. Identifiable assets are geographically segmented as follows:

	Canada	United States	Total
October 31, 2000	\$1,869,126	\$134,983	\$2,004,109
October 31, 1999	\$1,635,209	\$205,243	\$1,840,452
October 31, 1998	\$1,627,703	\$253,958	\$1,881,661

Substantially all revenues and expenses in the year ended October 31, 2000, 1999 and 1998 were from operations in Canada.

Notes to the Consolidated Financial Statements

October 31, 2000, 1999 and 1998

11. FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued charges reflected in the balance sheets approximates their respective fair values.

12. COMMITMENT

The Company is required to incur capital expenditures of approximately \$93,000 to complete the earn in provisions of certain natural gas assets (Note 5).

13. SUBSEQUENT EVENT

a) Subsequent to year end the Company agreed to amalgamate with 628916 Alberta Ltd. (operating as zed.i Solutions) ("628916") subject to shareholder and regulatory approval. The amalgamated corporation will continue under the name zed.i Solutions Inc. ("zed.i"). Under the terms of the amalgamation agreement:

- i) Each Colony shareholder will exchange their Colony shares for zed.i shares on the basis of 0.342 zed.i shares for each Colony share, resulting in approximately 5,939,007 zed.i shares being issued to Colony shareholders; and
- ii) Each 628916 shareholder will exchange their 628916 shares for zed.i shares on the basis of one zed.i share for every one 628916 share, resulting in approximately 23,258,277 zed.i shares being issued to 628916 shareholders.

Following completion of the share exchanges contemplated by the amalgamation agreement, there will be approximately 29,197,284 common shares of zed.i issued and outstanding. The proportion of zed.i shares attributable to 628916 shareholders will be 80%, while the number of zed.i shares attributable to Colony shareholders will be 20%. As such, the accounting impact of the amalgamation agreement and the related share exchange is that 628916 is the acquirer and Colony is the acquiree.

The Company received shareholder approval for the amalgamation on February 12, 2001.

- b) The Company's financial statements were included in a prospectus filed by zed.i dated March 21, 2001 relating to a financing.

PRO FORMA FINANCIAL STATEMENTS

Pro Forma Financial Statements of

zed.i solutions inc.

Unaudited - See Compilation Report

COMPILATION REPORT

TO THE DIRECTORS OF ZED.I SOLUTION INC. (FORMERLY 628916 ALBERTA LTD.)

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of zed.i solutions inc. (formerly 628916 Alberta Ltd.) as at December 31, 2000 and the pro forma combined statement of operations of zed.i solutions inc. for the year ended December 31, 2000 and Colony Pacific Explorations Ltd. for the year ended October 31, 2000. These pro forma financial statements have been prepared for inclusion in the prospectus of zed.i solutions inc. dated March 21, 2001. In our opinion, the pro forma consolidated balance sheet and the pro forma combined statement of operations have been properly compiled to give effect to the proposed transaction and the assumptions described in the accompanying notes thereto.

(signed) KPMG LLP

Chartered Accountants

Edmonton, Canada

March 21, 2001

zed.i solutions inc.

Pro Forma Consolidated Balance Sheet
Unaudited - See Compilation Report

As at December 31, 2000
(in thousands of dollars)

	zed.i solutions inc.	Colony Pacific Explorations Ltd.	Pro forma adjustments	Pro forma consolidated
	(December 31, 2000)	(October 31, 2000)	(Note 2)	
Assets				
Current assets:				
Cash and cash equivalents	\$ 999	\$ 1,376	\$ 325	\$ 2,700
Accounts receivable	789	—	—	789
Inventories	787	—	—	787
Net investment in sales leases, current portion	500	—	—	500
Scientific research tax credits recoverable, current portion	403	—	—	403
Prepaid expenses	75	—	—	75
	3,553	1,376	325	5,254
Inventories, non-current portion	510	—	—	510
Net investment in sales leases, non-current portion	392	—	—	392
Scientific research tax credits recoverable, non-current portion	299	—	—	299
Capital assets	808	—	—	808
Net assets of discontinued operations [note 2(f)]	—	545	179	724
	\$ 5,562	\$ 1,921	\$ 504	\$ 7,987

Liabilities and Shareholders' Equity

Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,121	\$ —	\$ —	\$ 1,121
Current portion of obligations under capital leases	192	—	—	192
Current portion of long-term debt	737	—	—	737
	2,050	—	—	2,050
Obligation under capital leases	66	—	—	66
Long-term debt	237	—	—	237
Advances from shareholders	504	—	—	504
Shareholders' equity:				
Share capital and special warrants (note 3)	11,915	9,981	(7,556)	14,340
Deficit	(9,210)	(8,060)	8,060	(9,210)
	2,705	1,921	504	5,130
	\$ 5,562	\$ 1,921	\$ 504	\$ 7,987

See accompanying notes to pro forma financial statements.

zed.i solutions inc.

Pro Forma Combined Statement of Operations
Unaudited - See Compilation Report

(in thousands of dollars)

	zed.i solutions inc.	Colony Pacific Explorations Ltd.	Pro forma adjustments	Pro forma combined
	(year ended December 31, 2000)	(year ended October 31, 2000)	(Note 2)	
Revenue	\$ 3,752	\$ —	\$ —	\$ 3,752
Expenses:				
Cost of sales	1,759	—	—	1,759
Operations	3,217	—	—	3,217
Selling, general and administrative	3,146	—	—	3,146
	8,122	—	—	8,122
Income (loss) before the undernoted	(4,370)	—	—	(4,370)
Amortization and depletion	333	—	—	333
Interest	325	—	—	325
Write-off of deferred development costs	912	—	—	912
	1,570	—	—	1,570
Loss from continuing operations	(5,940)	—	—	(5,940)
Income from discontinued operations (net of tax) [note 2(f)]	—	141	(24)	117
Net income (loss)	\$ (5,940)	\$ 141	\$ (24)	\$ (5,823)
Number of shares outstanding (note 3)				28,468
Income (loss) per share:				
Loss from continuing operations				\$ (0.21)
Net income (loss) per share				(0.20)

See accompanying notes to pro forma financial statements.

zed.i solutions inc.

Notes to Pro Forma Financial Statements
Unaudited - See Compilation Report

1. Basis of presentation:

These unaudited pro forma consolidated financial statements account for the proposed amalgamation of zed.i solutions inc. (formerly 628916 Alberta Ltd.) ("zed.i") and Colony Pacific Explorations Ltd. ("Colony") and have been prepared for inclusion in the prospectus dated March 21, 2001 of zed.i. The amalgamation agreement provides that the amalgamated corporation ("Amalco") will continue under the name zed.i solutions inc.

As at January 26, 2001, there were approximately 17,365,518 shares of Colony issued and outstanding and approximately 22,529,277 shares of zed.i issued and outstanding (including the impact of the special warrants issued - see note 3). The amalgamation agreement dated November 15, 2000, provides that zed.i and Colony will amalgamate once the necessary regulatory approvals are obtained. The amalgamation agreement further provides that upon the amalgamation, Colony and zed.i shares will be exchanged as follows:

- (a) each Colony shareholder will exchange their Colony shares for Amalco shares on the basis of 0.342 Amalco shares for each Colony share, resulting in approximately 5,939,007 Amalco shares being issued to Colony shareholders; and
- (b) each zed.i shareholder will exchange their zed.i shares for Amalco shares on the basis of one Amalco share for every one zed.i share, resulting in approximately 22,529,277 Amalco shares being issued to zed.i shareholders.

Following completion of the share exchanges contemplated by the amalgamation agreement, there will be approximately 28,468,284 common shares of Amalco issued and outstanding. The proportion of Amalco shares attributable to zed.i shareholders shall be 79%, while the number of Amalco shares attributable to Colony shareholders will be 21%. Accordingly, the accounting impact of the amalgamation agreement and the related share exchange is that zed.i is considered the acquirer of Colony.

The unaudited pro forma consolidated balance sheet and combined statement of operations have been prepared from zed.i's audited consolidated financial statements for the year ended December 31, 2000 and Colony's audited consolidated financial statements for the year ended October 31, 2000.

The amalgamation has been accounted for under the purchase method whereby zed.i has acquired Colony. The pro forma consolidated balance sheet gives effect to the transactions described in notes 2 and 3 as if they had occurred on December 31, 2000. The pro forma combined statement of operations gives effect to these transactions as if they occurred at the beginning of the related fiscal periods of the amalgamating companies.

zed.i solutions inc.

Notes to Pro Forma Financial Statements, continued
Unaudited - See Compilation Report

1. Basis of presentation, continued:

The unaudited pro forma consolidated financial statements presented herein have been prepared by management. Further, these unaudited pro forma consolidated financial statements may not be indicative either of results that would have actually occurred if the amalgamation had taken place on the date indicated or results which may be obtained in the future.

2. Pro forma assumptions and adjustments:

These unaudited pro forma consolidated financial statements should be read in conjunction with the financial statements of zed.i and Colony.

The pro forma financial statements incorporate the following assumptions and adjustments:

(a) Amalgamation of zed.i and Colony:

The pro forma consolidated balance sheet reflects the amalgamation of zed.i and Colony as if the transaction occurred on December 31, 2000. As at January 26, 2001, under terms of the amalgamation agreement dated November 15, 2000, approximately 5,939,007 shares of Amalco will be issued to the Colony shareholders and approximately 22,529,277 shares of Amalco will be issued to the zed.i shareholders. The amalgamation is accounted for as a reverse take-over whereby zed.i is the acquirer and Colony is the acquiree, since zed.i shareholders will own 79% of Amalco once the amalgamation is complete.

The net assets of Colony acquired at assigned values as at October 31, 2000, in exchange for the share consideration issued using the purchase method of accounting are as follows:

<i>(in thousands of dollars)</i>	
Cash and cash equivalents	\$ 1,376
Accounts receivable	71
Notes receivable	133
Oil and natural gas properties (held for resale)	600
Accounts payable and accrued liabilities	(44)
Future site restoration costs	(36)
Net assets acquired at assigned values	\$ 2,100

(b) Amortization and depletion:

Amortization and depletion expense has been adjusted to reflect the increase in value assigned to oil and natural gas properties to \$600,000 on acquisition as compared to a net book value of approximately \$412,000 as at October 31, 2000.

zed.i solutions inc.

Notes to Pro Forma Financial Statements, continued
Unaudited - See Compilation Report

2. Pro forma assumptions and adjustments, continued:

(c) Deficit of Colony:

The deficit of Colony will be eliminated as a result of the amalgamation.

(d) Income taxes:

No income tax effect has been presented in these financial statements as there are loss carryforwards available to reduce income tax liabilities. The tax benefit related to the loss carryforwards has not been recorded because a full valuation allowance has been taken against these loss carry forwards.

(e) Income (loss) per share:

Income (loss) per share is not calculated on a fully diluted basis since potential conversions of stock options, warrants and debt are anti-dilutive.

(f) Discontinued operations:

After the proposed amalgamation, Amalco does not intend to continue on in the natural resource exploration and development industry. Amalco plans to dispose of the oil and natural gas properties, but will use the cash acquired in the amalgamation. Amalco will realize the benefit of the remaining assets and extinguish the remaining liabilities of Colony, after the pro forma adjustments, in their natural operating cycles.

As at December 31, 2000, Amalco's interests in Colony's non-cash assets and liabilities have been disclosed as "net assets of discontinued operations" in the consolidated balance sheet. The net assets of discontinued operations, after the pro forma adjustments, are comprised of the following:

<i>(in thousands of dollars)</i>	
Current assets	\$ 99
Notes receivable	105
Oil and natural gas properties (held for resale)	600
	804
Current liabilities	(44)
Other liabilities	(36)
	\$ 724

Management estimates that the proceeds to be received on the sale of the oil and natural gas properties approximates their assigned value, accordingly no loss on sale has been recorded.

zed.i solutions inc.

Notes to Pro Forma Financial Statements, continued
Unaudited - See Compilation Report

2. Pro forma assumptions and adjustments, continued:

(f) Discontinued operations, continued:

Combined statement of operations

The results of Colony's operations for the year ended October 31, 2000 have been separately disclosed in the combined statement of operations as "income from discontinued operations (net of tax)". The income from discontinued operations (net of tax), after the pro-forma adjustments, is comprised of the following:

<i>(in thousands of dollars)</i>		
Revenue	\$	399
Expenses		278
Income before income taxes		121
Income taxes		4
Income from discontinued operations		\$ 117

zed.i solutions inc.

Notes to Pro Forma Financial Statements, continued
Unaudited - See Compilation Report

3. Pro forma share capital:

The pro forma share capital of Amalco as at January 26, 2001 is as follows:

	Number of shares	Amount
	<i>(in thousands)</i>	
Shares issued to zed.i shareholders and the related value:		
Common shares issued	20,434	\$ 10,342
Special warrants issued	2,095	1,898
	22,529	12,240
 Shares issued to Colony shareholders and the related value of net assets acquired	 5,939	 2,100
	28,468	\$ 14,340

As at December 31, 2000, zed.i had 20,434,277 common shares issued and outstanding with a stated value of \$10,341,905.

During the year ended December 31, 2000, zed.i issued 1,743,000 special warrants at \$1.00 per special warrant for net proceeds after the related issuance costs of \$1,573,560. In January 2001, zed.i issued an additional 352,000 special warrants at \$1.00 per special warrant for net proceeds after agent costs of \$324,840. The special warrants entitle the holder thereof to acquire one common share of zed.i for no additional consideration.

CERTIFICATE OF THE CORPORATION

March 21, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder.

(Signed) Trevor M. Apperley
Chief Executive Officer

(Signed) Richard R. Charron
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Martin A. Lambert
Director

(Signed) Alan E. Winter
Director

CERTIFICATE OF THE PROMOTERS

March 21, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario), and the respective regulations thereunder.

(Signed) Keith T. Smith

(Signed) M.J. Denise LaForge

(Signed) Richard R. Charron

CERTIFICATE OF THE AGENTS

March 21, 2001

To the best of our knowledge, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

YORKTON SECURITIES INC.

By: (Signed) J. Alexander Wylie

FIRSTENERGY CAPITAL CORP.

ACUMEN CAPITAL FINANCE PARTNERS

By: (Signed) Warren G. Holmes

By: (Signed) Michael F. Hill