



Zaio Releases Third Quarter 2007 Financial Results Revenues Almost Triple from Prior Quarter

Zaio Corporation

Source: <http://www.zaio.com>

Calgary, AB, November 19, 2007 -- Zaio Corporation (TSX-V: ZAO - News) is pleased to announce their financial results for the three months and nine months ended September 30, 2007. Revenue in the third quarter increased to \$4.9 million compared to \$51,000 in the third quarter of 2006 bringing the total revenue for the first nine months of the year to \$6.7 million compared to \$113,000 last year. On a quarter over quarter basis, revenue increased 188% from \$1.7 million last quarter to \$4.9 million this quarter. Net loss for the quarter was \$3.2 million and \$6.9 million for the nine months compared to \$289,000 and \$666,000 respectively in 2006. It is important to note that the loss reported for the quarter includes \$2 million in non cash items and approximately \$800,000 of expenses that are either non-recurring or relate directly to Zone sale efforts and training of photographers and Zone Appraisers. The effective monthly burn rate for the quarter was \$300,000 which is funded by the sale of 35 Appraisal Zones per month. During the quarter, monthly Zone sales averaged 68, almost double the break even level.

During the third quarter, the Company acquired the net assets of Kirchmeyer & Associates, Inc., Real Info Inc. and Virtual Imaging Corporation with offices in Buffalo, New York and Chicago, Illinois. The acquisitions are now divisions of Zaio's Tempe, Arizona based subsidiary, Zaio Inc. The business units provide services to the real estate, appraisal and mortgage banking industries and in the last quarter contributed 83 % of the Company's revenue. The combined cost of the acquisitions was \$7.2 million.

Third Quarter 2007 Financial Review

This was the first quarter in which the Company recognized revenue, other than initial deposits, from the sale of licenses to Zone Appraisers. A total of \$713,000 in revenue was recorded related to 127 zones which were handed over to appraisers for completion of the valuation process. A further \$115,000 was included in revenue from deposits made on the sale of 204 zones during the quarter. Revenue from the various units in Zaio Inc. amounted to \$4.1 million with half of that amount coming from the Kirchmeyer division. Total revenue for the quarter was \$4.9 million. The Company has experienced an increase in orders of traditional appraisal products since the end of the third quarter.

The software license fee per zone remains at US\$9,800. The license fee includes a US\$500 administration fee payable upon signing with a discount is available for multiple zone purchases. Only this administration portion is recognized as revenue at the time of the sale. The balance of the fee is included in revenue once the licensees have been supplied with photographs and property data for their zones, thereby allowing them to proceed with the appraisal valuation process. Until this time the amount is recorded as deferred revenue on the balance sheet. The Company does not record the deferred portion of the revenue until the funds are actually received. It is expected that 75% of the deferred revenue of \$6.5 million currently on the balance sheet will be recorded as revenue over the next two quarters.

Selling, General and Administration Expenses

Selling, General and Administrative expense was \$3.4 million for the three months ended September 30, 2007 compared to \$246,000 for the same period in 2006. The Company has grown from 15 employees to over 180 employees since this time last year resulting in higher salary and compensation costs and new office bases in Tempe, AZ, Buffalo, New York and Chicago, Illinois. Expenses related to the sale of Appraisal Zones and the training of photographers and appraisers alone amounted to \$400,000 during the quarter. The significant increase in the Company's stock price in the last six months triggered an equally large increase in the amount of stock compensation expense recorded for the quarter as options were issued to all new employees. This non-cash item amounted to \$1.2 million for the quarter and is not included in the total of selling, general and administrative expense.

Net Earnings

The net loss for the three months ended September 30, 2007 was \$3.2 million or \$0.078 per share compared to a net loss of \$289,000 or \$0.01 per share for the same period in 2006.

Financial Condition and Liquidity

At September 30, 2007, Zaio had total assets of \$27 million. Included in this total is \$3.6 million in Asset Backed Commercial Paper (ABCP) which is temporarily not liquid. Accordingly, the Company has followed the guidance of the CICA and recorded the asset

under the category of Investments and recorded a write down of 10% of the face value of the paper. The advisors through whom the paper was acquired have advised that it continues to be rated R1 (AAA) by DBRS and that it does not contain any Canadian or US residential mortgage backed securities. There is general consensus that this is an issue of liquidity and not a deterioration of underlying asset quality. A secondary market for the paper has recently been created which has shown a bid of 90 cents on the dollar for this paper. The Company intended these funds to be applied to database expansion or a potential acquisition, both of which are discretionary. If the need arises for funds to support operations, the company will draw on a bank line or consider selling the paper in the secondary market. Working capital was \$1.2 million. If amounts owing from the sale of Zones was included, working capital would be \$3.7 million.

Outlook

The last mortgage crisis in the early 1990's resulted in a massive effort by lenders to revalue their portfolios and created significant revenue streams for appraisers across the country. A similar effort will be undertaken soon and this time will include a much larger asset base considering the growth of publicly traded mortgage backed securities in the past ten years. Zaio has the capability of valuing property nationwide through its premiere group of certified appraisers making it much more efficient and economical for lenders. A recent surge in interest among lenders and appraisers in Zaio's products suggests they are preparing for an increase in volume and that they recognize the value of the Company's patent-pending technology and business process.

One of the Company's primary messages has always been that because our values are prepared in advance of a request from a lender, there can be no pressure on the appraiser to meet a certain value. The recent claim against an appraisal firm in the United States suggests that the pressure is real and significant. Recent bills introduced in Congress also call attention to a growing national problem and the important need to protect appraiser independence. Here again, Zaio is in a position to offer unbiased values which could be used as a yardstick in situations where an appraised value is being questioned.

The strategic acquisitions made during the first nine months of this year have provided significantly more resources necessary to support an acceleration of our growth. In fact, as a result, Zaio now has the current ability to deliver a full range of valuation services in all 50 states to the mortgage backed securities and lending markets. In addition, these acquisitions have allowed and will continue to allow Zaio to substantially increase its rate of photography and the subsequent population of its proprietary database. In addition, they have immediately provided relationships with over 400 institutional clients ordering a wide range of valuation services on behalf of thousands of customers and are now generating significant revenue to the Company. Also, Zaio and its affiliated appraisers and photographers are now simultaneously deployed and implementing these new automated solutions in more than 200 USA cities across America. Zaio is quickly adding photos, site verified property data, and valuations to its National Appraisal Repository so these markets can objectively and "instantly" value real estate. Zaio's database currently consists of 140 million property records, and 12.6 million photos growing at the rate of over 100,000 homes per day.

During the first nine months of 2007, a total of 766 Zone licenses were sold to property appraisers across the country bringing the total at the end of the quarter to 1,300 and the rate of photography rose on a weekly basis, occasionally exceeding highs of over 100,000 per day. In the third quarter, the Company began handing fully completed zones back to Zone Appraisers allowing them to conclude the valuation process and start the earnings and revenue share process. This important transition will continue to accelerate into the last quarter and into next year until all zones sold have been integrated and returned to the appraisers.

At the same time, management is continually exploring opportunities to align with other strategic partners in the valuation industry and will consider further acquisitions that allow us to penetrate our various markets sooner.

Zaio recently sponsored the nation's largest appraisal conference known as Valuation 2007 which was attended by 400 appraisers and lenders. The Company also hosted a National Summit in Las Vegas which was attended by 230 Zone Appraisers. Interest in Zones among appraisers and in valuation products by lenders was very strong. Our marketing efforts along with widespread media relating to the industry conditions has resulted in a surge in interest among appraisers and lenders and has in turn led to a significant increase in inquiries to our call centre.

Parties interested in learning more details about Zaio's third quarter results are invited to listen to the Q3 conference call by dialing in to 800-732-6179 at 3:00pm ET Tuesday November 20, 2007.

About Zaio

Zaio is the North American leader in developing and maintaining a site-verified database of photos, valuations and property information of virtually every property for entire cities, using a proprietary "GeoScore" property rating system. Zaio and its network of premiere, local appraiser experts photograph and appraise entire cities, one building at a time from the street.

Zaio is a public corporation that trades under the symbol "ZAO" on the TSX-V Exchange in Canada. Additional information is available for US investors under the symbol "ZAOFF". For more company information, visit www.zaio.com or contact:

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For investors who would like to be added to Zaiio's investor distribution list, please contact Collum Hunter at chunter@christensenir.com.

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