

Consolidated Financial Statements

VendTek Systems Inc.

For the Three and Six Months Ended
April 30, 2007 and 2006
(Unaudited)

VendTek Systems Inc.

Consolidated Balance Sheets

As at April 30, 2007, with comparative figures as at October 31, 2006

	April 30, 2007	October 31, 2006
	(unaudited)	(audited)
Assets		
Current Assets		
Cash	\$ 1,170,718	\$ 763,664
Accounts receivable	1,815,452	1,985,832
Inventories	2,187,048	1,102,654
Prepaid expenses and deposits	84,500	14,467
Future income tax asset	170,500	170,500
	5,428,218	4,037,117
Equipment	656,324	328,170
Intangible assets	17,228	19,689
Deferred acquisition costs <i>[Note 8]</i>	42,574	-
	\$ 6,144,344	\$ 4,384,976
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,815,840	\$ 1,950,831
Income taxes payable	-	135,137
Current portion of long-term debt <i>[Note 3]</i>	95,860	272,698
	2,911,700	2,358,666
Long-term Debt <i>[Note 3]</i>	180,865	79,325
	3,092,565	2,437,991
Shareholders' Equity		
Share Capital <i>[Note 4]</i>	7,247,184	6,804,081
Contributed Surplus <i>[Note 4]</i>	735,314	438,525
Accumulated Deficit	(4,930,719)	(5,295,641)
	3,051,779	1,946,985
	\$ 6,144,344	\$ 4,384,976

Subsequent event *[Note 8]*

See accompanying notes to the consolidated financial statements.

Approved on Behalf of the Board:

"Stuart Wooldridge"
Stuart Wooldridge, Director

"Sherri Macdonald"
Sherri Macdonald, Director

VendTek Systems Inc.

Consolidated Statements of Operations and Accumulated Deficit

For the three and six months ended April 30, 2007 and 2006

	Three months ended April 30,		Six months ended April 30,	
	2007	2006	2007	2006
Revenues				
Prepaid telecommunication	\$17,039,986	\$13,376,665	\$33,157,298	\$26,102,334
Hardware and equipment	20,488	22,478	56,809	88,106
Software license and services	231,384	68,967	492,291	101,760
	<u>17,291,858</u>	<u>13,468,110</u>	<u>33,706,398</u>	<u>26,292,200</u>
Cost of revenues				
Prepaid telecommunication	16,126,907	12,702,656	31,380,025	24,793,383
Hardware and equipment	15,010	14,350	26,023	31,318
	<u>16,141,917</u>	<u>12,717,006</u>	<u>31,406,048</u>	<u>24,824,701</u>
	<u>1,149,941</u>	<u>751,104</u>	<u>2,300,350</u>	<u>1,467,499</u>
Operating Expenses				
General and administrative	668,365	412,169	1,215,454	847,217
Selling and marketing	134,872	81,329	258,308	144,168
Research and development	125,168	91,767	223,783	164,155
Amortization	84,175	46,387	164,672	84,408
	<u>1,012,580</u>	<u>631,652</u>	<u>1,862,217</u>	<u>1,239,948</u>
Earnings before interest expense	137,361	119,452	438,133	227,551
Interest on long-term debt	(40,257)	(13,764)	(73,211)	(28,017)
Net earnings	<u>97,104</u>	<u>105,688</u>	<u>364,922</u>	<u>199,534</u>
Deficit - Beginning	(5,027,823)	(5,952,729)	(5,295,641)	(6,046,575)
Deficit - Ending	<u>(4,930,719)</u>	<u>(5,847,041)</u>	<u>(4,930,719)</u>	<u>\$ (5,847,041)</u>
Basic and diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average shares outstanding				
Basic	<u>43,271,593</u>	<u>34,303,575</u>	<u>43,271,593</u>	<u>34,303,575</u>
Diluted	<u>47,235,816</u>	<u>36,263,547</u>	<u>47,235,816</u>	<u>36,263,547</u>

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the three and six months ended April 30, 2007 and 2006

	Three months ended		Six months ended	
	April 30,		April 30,	
	2007	2006	2007	2006
Operating Activities				
Net earnings	\$ 97,104	\$ 105,688	\$ 364,922	\$ 199,534
Items not involving cash				
Accretion of convertible debenture to face value	-	1,700	-	3,400
Amortization of equipment, intangible assets and deferred finance charges	84,175	46,387	164,672	84,408
Deferred acquisition costs	(42,574)	-	(42,574)	-
Stock-based compensation	153,747	73,187	296,789	140,159
	292,452	226,962	783,809	427,501
Net change in non-cash operating working capital items	(582,874)	(1,870,366)	(254,175)	(999,833)
Net Cash Provided In Operating Activities	(290,422)	(1,643,404)	529,634	(572,332)
Cash Flows From Financing Activities				
Proceeds from options exercised	83,000	87,580	108,000	87,580
Repayment of debt and lease obligations	(185,590)	(703)	(226,140)	(1,163)
Issuance of shares	-	-	335,100	-
Warrants exercised	-	1,334,589	-	1,334,589
Net Cash Provided By Financing Activities	(102,590)	1,421,466	216,960	1,421,006
Cash Flows From Investing Activities				
Purchases of equipment	(175,726)	(74,719)	(325,693)	(224,919)
Net Cash Used In Investing Activities	(175,726)	(74,719)	(325,693)	(224,919)
Effect of Exchange Rate Changes on Cash	(20,319)	3,209	(13,847)	447
Change in Cash	(589,057)	(296,448)	407,054	624,202
Cash - Beginning	1,759,775	1,167,266	763,664	246,616
Cash - Ending	1,170,718	870,818	1,170,718	870,818
Non-Cash Financing Activities				
Financing from purchase of equipment				-
Supplemental Disclosures				
Interest paid	40,257	13,764	73,211	28,017

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
For the three and six months ended April 30, 2007 and 2006

1. Basis of Presentation

The unaudited interim consolidated financial statements for the quarter ended April 30, 2007, should be read in conjunction with the audited consolidated financial statements of VendTek Systems Inc. ("the Company") for the year ended October 31, 2006. These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles for interim financial statements.

2. Summary of Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods as the consolidated financial statements for the year ended October 31, 2006.

3. Long-term Debt

Long-term debt relates to the purchase of point-of-sale equipment made by the Company, financed over two years, unsecured with imputed interest at a weighted average rate of 24%. The Company also has debt related to the acquisition of server equipment, which is financed over 3 years unsecured with interest at an average rate of 8.31%, and office equipment financed over 4 years unsecured with interest at a rate of 8.4%.

Minimal annual repayments of indebtedness are as follows:

October 31, 2007	\$ 101,963
October 31, 2008	118,815
October 31, 2009	39,849
October 31, 2010	<u>16,098</u>
	\$ 276,725

4. Share Capital

a) Issued and Outstanding

	6 months ended		6 months ended	
	April 30, 2007		April 30, 2006	
	Number of shares	\$000's	Number of shares	\$000's
100,000,000 Authorized:				
Common shares Issued				
Balance, beginning of period	41,883,483	\$6,804	34,151,496	\$5,153
Stock options exercised	540,000	108	437,900	88
Warrants exercised	-	-	6,672,945	1,335
Subscriptions received	957,436	335	-	-
Balance, end of period	43,380,919	\$7,247	41,262,341	\$6,576

During October 2006, the Company arranged for a private placement of 1,428,571 common shares for net proceeds of \$490,000. Of this amount, \$335,100 was received November 8, 2006 and, accordingly, was reflected as a subscription receivable at October 31, 2006.

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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b) Contributed Surplus

A summary of contributed surplus is as follows:

	Quarters Ended April 30	
	2007	2006
Balance, beginning	\$ 438,525	\$ 147,900
Stock-based compensation	296,789	140,159
Balance, ending	\$ 735,314	\$ 288,059

The Company reclassified the fair value of expired warrants from share capital.

c) Stock Options

The Company has a stock option plan (the "Plan") whereby it may grant up to 8,671,184 options to its directors, officers and employees. The terms and conditions of options granted under the Plan are determined solely by the Board of Directors. Options are generally granted with a term of five years and vest over eighteen months.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Balance, October 31, 2006	3,973,000	\$0.20
Granted	2,830,000	\$0.59
Exercised	(540,000)	\$0.20
Balance, April 30, 2007	6,263,000	\$0.38

The following table summarizes information about share options outstanding at April 30, 2007:

Range of Exercise Prices (\$)	Weighted Average Remaining Contractual Life (Years)	Options Outstanding		Options Exercisable	
		Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
0.20 – 0.40	2.43	3,433,000	\$0.21	3,382,762	\$0.20
0.41 – 0.60	4.54	2,000,000	\$0.53	513,651	\$0.53
0.61 – 0.75	4.72	830,000	\$0.75	231,905	\$0.75
	3.90	6,263,000	\$0.38	4,128,318	\$0.27

During the six month period ended April 30, 2007, 2,830,000 options were granted under the Plan. The weighted average remaining contractual life of options outstanding as of April 30, 2007 was 3.60 years (2005 – 2.3 years).

The fair value of each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	April 30, 2007
Risk free interest rate	3.85%
Expected life	5 years
Expected volatility	116%
Expected dividends	-
Fair value per share option granted	0.35

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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5. Related Party Transactions

During the six months ended April 30, 2007, the Company paid rent of \$22,635 (2006-\$24,624) to a company in which a director has a minority equity interest. On November 1, 2006, the Company signed a three-year lease which expires on October 31, 2009. In addition to minimum lease payments of \$3,772 per month, the facility lease requires payment of a proportionate share of taxes and strata fees. This transaction was in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as a transaction with unrelated parties.

Minimum annual facility lease payments are as follows for the years ending October 31:

2007	\$	67,975
2008		67,975
2009		67,975
	\$	203,925

6. Segmented Information

The Company operates in one industry and two geographic segments; Canada and Asia.

	VendTek Systems (incl. Now Prepay Corp/ VendTek Industries \$	VendTek Technologies/ VendTek Asia Pacific \$	Total \$
Three months ended April 30, 2007			
Revenue	17,267,350	24,508	17,291,858
Amortization	81,797	2,378	84,175
Segment operating earnings (loss)	122,754	(25,650)	97,104
Segment assets	6,059,266	85,078	6,144,344

	VendTek Systems (incl. Now Prepay Corp/ VendTek Industries	VendTek Technologies/ VendTek Asia Pacific	Total
Three months ended April 30, 2006			
Revenue	13,458,108	10,002	13,468,110
Amortization	46,229	1,992	48,221
Segment operating earnings (loss)	141,424	(35,736)	105,688
Segment assets	4,297,239	87,737	4,384,976

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	VendTek Systems (incl. Now Prepay Corp/ VendTek Industries	VendTek Technologies/ VendTek Asia Pacific	Total
Six months ended April 30, 2007			
Revenue	33,659,636	46,762	33,706,398
Amortization	160,088	4,584	164,672
Segment operating earnings (loss)	405,565	(40,643)	364,922
Segment assets	6,059,266	85,078	6,144,344

	VendTek Systems (incl. Now Prepay Corp/ VendTek Industries	VendTek Technologies/ VendTek Asia Pacific	Total
Six months ended April 30, 2006			
Revenue	26,275,229	16,971	26,292,200
Amortization	80,964	3,444	84,408
Segment operating earnings (loss)	272,256	(72,722)	199,534
Segment assets	4,297,239	87,737	4,384,976

7. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

VendTek Systems Inc.

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8. Subsequent Events

On May 7, 2007, the Company acquired the all the issued and outstanding shares of Go Prepaid Inc., a private company based in Toronto, Ontario. Go Prepaid specializes in the distribution of prepaid telecom products and has been a distribution partner of VendTek since 1999.

The purchase price is \$750,000 in cash and 721,542 common shares of the Company. The value of the 721,542 common shares was determined based on the average market price of the Company's common shares for the 15 day period before the terms of the acquisition were agreed to and announced. The total consideration is \$1.392 million.

Included in these financial statements are direct costs related to the acquisition totalling \$42,574. Deferred acquisition costs will be added to the cost of the acquisition.