

Consolidated Financial Statements

VendTek Systems Inc.

For the Three and Nine Months Ended
July 31, 2007 and 2006
(Unaudited)

VendTek Systems Inc.

Consolidated Balance Sheets

As at July 31, 2007, with comparative figures as at October 31, 2006

	July 31, 2007	October 31, 2006
	(unaudited)	(audited)
Assets		
Current Assets		
Cash	\$ 1,512,517	\$ 763,664
Accounts receivable	1,511,762	1,985,832
Inventories	4,838,021	1,102,654
Prepaid expenses and deposits	105,900	14,467
Future income tax asset	170,500	170,500
	8,138,700	4,037,117
Equipment	1,099,370	328,170
Intangible assets [note 4]	836,000	19,689
Goodwill [note 3]	588,547	-
	\$ 10,662,617	\$ 4,384,976
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,302,733	\$ 1,950,831
Income taxes payable	-	135,137
Current portion of long-term debt [Note 5]	95,860	272,698
	6,398,593	2,358,666
Long-term Debt [Note 5]	92,320	79,325
	6,490,913	2,437,991
Shareholders' Equity		
Share Capital [Note 6]	7,898,124	6,804,081
Contributed Surplus [Note 6]	937,564	438,525
Accumulated Deficit	(4,663,984)	(5,295,641)
	4,171,704	1,946,985
	\$ 10,662,617	\$ 4,384,976

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 nine months ended July 31, 2007 and 2006

	Three months ended July 31,		Nine months ended July 31,	
	2007	2006	2007	2006
Revenues				
Prepaid telecommunications	\$27,907,650	\$14,837,548	\$61,064,948	\$40,939,882
Hardware and equipment	29,109	20,225	59,816	106,975
Software license and services	210,318	36,232	702,609	137,992
	<u>28,147,077</u>	<u>14,894,005</u>	<u>61,827,373</u>	<u>41,184,849</u>
Cost of revenues				
Prepaid telecommunications	26,534,166	13,829,492	57,914,191	38,602,165
Hardware and equipment	4,312	6,150	30,335	58,177
	<u>26,538,478</u>	<u>13,835,642</u>	<u>57,944,526</u>	<u>38,660,342</u>
	<u>1,608,599</u>	<u>1,058,363</u>	<u>3,882,847</u>	<u>2,524,507</u>
Operating Expenses				
General and administrative	913,806	446,963	2,129,260	1,294,181
Selling and marketing	116,550	114,905	374,858	259,073
Research and development	152,293	96,922	376,076	261,077
Amortization	122,472	58,164	287,144	142,572
	<u>1,305,121</u>	<u>716,954</u>	<u>3,167,338</u>	<u>1,956,903</u>
Earnings before interest expense	303,478	341,409	715,509	567,604
Interest on long-term debt	(42,127)	(26,599)	(115,338)	(54,616)
Interest revenue	5,384	5,223	31,486	6,579
Net earnings	<u>266,735</u>	<u>320,033</u>	<u>631,657</u>	<u>519,567</u>
Deficit - Beginning	(4,930,719)	(5,847,041)	(5,295,641)	(6,046,575)
Deficit – Ending	<u>(4,663,984)</u>	<u>(5,527,008)</u>	<u>(4,663,984)</u>	<u>\$ (5,527,008)</u>
Basic and diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average shares outstanding				
Basic	44,061,561	37,748,044	43,437,143	37,748,044
Diluted	45,216,926	36,263,547	45,216,926	36,263,547

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the three and nine months ended July 31, 2007 and 2006

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2007	2006	2007	2006
Operating Activities				
Net earnings	\$ 266,735	\$ 320,033	\$ 631,657	\$ 519,567
Items not involving cash				
Accretion of convertible debenture to face value	-	3,400	-	6,800
Amortization of equipment, intangible assets and deferred finance charges	122,472	58,164	287,144	142,572
Deferred acquisition costs	-	-	(42,574)	-
Stock-based compensation	202,249	82,273	499,038	222,432
	591,456	463,870	1,375,265	891,371
Net change in non-cash operating working capital items	953,511	768,945	699,336	(230,889)
Net Cash Provided In Operating Activities	1,544,967	1,232,815	2,074,601	660,482
Cash Flows From Financing Activities				
Proceeds from options exercised	9,200	30,000	117,200	117,580
Repayment of lease obligations	(88,545)	(717)	(314,685)	(1,880)
Repayment of convertible debenture	-	(500,000)	-	(500,000)
Warrants exercised	-	-	-	1,334,589
Shares issued	641,691	-	976,791	-
Net Cash Provided By Financing Activities	562,346	(470,717)	779,306	950,289
Cash Flows From Investing Activities				
Purchases of capital and intangible assets	(1,172,813)	(72,834)	(1,498,506)	(297,753)
Purchase of goodwill	(588,547)	-	(588,547)	-
Net Cash Used In Investing Activities	(1,761,360)	(72,834)	(2,087,053)	(297,753)
Effect of Exchange Rate Changes on Cash	(4,154)	(693)	(18,001)	(246)
Change in Cash	341,799	688,570	748,853	1,312,772
Cash - Beginning	1,170,718	870,818	763,664	246,616
Cash - Ending	1,512,517	1,559,388	1,512,517	1,559,388
Supplemental Disclosures				
Interest paid	42,127	(8,025)	115,338	20,046

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
For the three and nine months ended July 31, 2007 and 2006

1. Basis of Presentation

The unaudited interim consolidated financial statements for the quarter ended July 31, 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. (correct formatting)

3. Acquisition

On May 7, 2007, the Company acquired all the issued and outstanding shares of Go Prepaid Inc. ("Go Prepaid") 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's since 1999. The results of Go Prepaid's operations have been included in the consolidated financial statements since the date of acquisition.

The aggregate purchase price is \$750,000 in cash and 721,542 common shares of the Company valued at \$641,691. The value of the 721,542 common shares was 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 including acquisition costs is \$1,580,370.

The acquisition was accounted for using the purchase method. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition. (The purchase price allocations are still in review and are subject to change):

Cash	\$ 1,407,691
Other current assets	836,988
Property, plant and equipment	150,131
Customer relationships	880,000
Goodwill	<u>588,547</u>
Total asset acquired	3,863,357
Current liabilities	<u>2,187,537</u>
	\$ 1,580,370

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. correct formatting

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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4. Intangible Assets

Information about the Company's acquired intangible assets as of July 31, 2007 and 2006 is as follows:

	July 31, 2007	December 31, 2006	Average Lives (In Years)
Customer Relationships	\$ 836,000	\$0	5

Balance at the end of the period net of accumulated amortization	\$ 836,000	\$0
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Acquired technology and other intangible assets are stated at cost and are amortized by the straight-line method over their estimated useful life of five years. Acquired intangible assets consist of certain intangible property to compliment the Company's distribution network.

Estimated amortization expense for the three-months ending October 31, 2007 and the years ending October 31, 2008, 2009, 2010, 2011, and 2012:

Three Months ending October 31,	Amortization
2007	
2008	\$ 44,001
2009	176,004
2010	176,004
2011	176,004
2012	176,004
	<u>131,983</u>
	\$880,000

5. 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	\$ 13,418
October 31, 2008	118,815
October 31, 2009	39,849
October 31, 2010	<u>16,098</u>
	\$ 188,180

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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6. Share Capital

a) Issued and Outstanding

	9 months ended		9 months ended	
	July 31, 2007		July 31, 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	586,000	117	587,900	118
Shares issued	721,542	642	-	-
Warrants exercised	-	-	6,672,945	1,335
Subscriptions received	957,436	335	-	-
Balance, end of period	44,148,461	\$7,898	41,412,341	\$6,606

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.

b) Contributed Surplus

A summary of contributed surplus is as follows:

	Quarters Ended July 31	
	2007	2006
Balance, beginning	\$ 438,525	\$ 147,900
Stock-based compensation	499,039	222,434
Balance, ending	\$ 937,564	\$ 370,334

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	3,080,000	\$0.78
Exercised	(586,000)	\$0.20
Balance, July 31, 2007	6,467,000	\$0.37

VendTek Systems Inc.

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The following table summarizes information about share options outstanding at July 31, 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	2.25	3,387,000	\$0.21	3,357,000	\$0.20
0.41 – 0.60	4.29	2,000,000	\$0.53	805,714	\$0.53
0.61 – 1.00	4.47	1,080,000	\$0.78	353,111	\$0.75
	3.90	6,467,000	\$0.37	4,515,825	\$0.30

During the nine month period ended July 31, 2007, 3,080,000 options were granted under the Plan. The weighted average remaining contractual life of options outstanding as of July 31, 2007 was 3.60 years (2005 – 2.0 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:

	July 31, 2007
Risk free interest rate	3.85%
Expected life	5 years
Expected volatility	102%
Expected dividends	-
Fair value per share option granted	0.33

7. Related Party Transactions

During the nine months ended July 31, 2007, the Company paid rent of \$33,952 (2006-\$36,937) to a company in which a director has a minority equity interest. On November 1, 2006, the Company signed a two-year lease which expires on October 31, 2008. 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
	\$	135,950

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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8. Segmented Information

The Company operates in one industry and two geographic segments; North America and China.

	North American Operations	China	Total
Nine months ended July 31, 2007			
Revenue	\$61,760,740	\$66,632	\$61,827,373
Amortization	280,139	7,005	287,144
Segment earnings (loss)	712,668	(81,011)	631,657
Segment assets	10,568,941	93,676	10,662,617
Three months ended July 31, 2007			
Revenue	\$28,127,207	\$19,870	\$28,147,077
Amortization	120,052	2,420	122,472
Segment earnings (loss)	307,103	(40,368)	266,735
Segment assets	10,568,941	93,676	10,622,617
Nine months ended July 31, 2006			
Revenue	\$41,158,807	\$26,042	\$41,184,849
Amortization	137,089	5,483	142,572
Segment earnings (loss)	622,961	(103,394)	519,567
Segment assets	3,021,952	86,448	3,108,400
Three months ended July 31, 2006			
Revenue	\$14,884,934	\$9,071	\$14,894,005
Amortization	56,125	2,039	58,164
Segment operating earnings (loss)	350,705	(30,672)	320,033
Segment assets	3,021,952	86,448	3,108,400

9. Comparative Figures

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
For the three and nine months ended July 31, 2007 and 2006

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