VendTek Systems Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Fiscal Year Ended October 31, 2009 and 2008

The following Management's Discussion & Analysis, dated February 24, 2010 should be read in conjunction with the financial statements and notes to the consolidated financial statements for the fiscal year ended October 31, 2009 and the consolidated financial statements for the fiscal year ended October 31, 2008. References herein to "VendTek", "the Company", "we" and "our" mean VendTek Systems Inc.

All amounts presented in this MD&A are in accordance with Canadian generally accepted accounting principles ("GAAP") and presented in Canadian dollars unless otherwise specifically noted.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Overview

We strive to provide our customers with innovative products, exceptional service and superior technical expertise while endeavouring to enhance value to our shareholders.

The Company is principally a software application and services company. We develop, market and sell automated transaction system software and supporting technologies that improve the efficiency of product delivery, reduce costs to clients and offer superior transaction security measures. Our business focuses primarily in the prepaid telecom and financial services industries. We market our products and services in Canada and the United States directly and through our Now Prepay™ division ("NPP").

Our principal product is our proprietary e-Fresh™ software which consists of a suite of server applications and corresponding end point device software. The e-Fresh™ software is used to create a distribution and transaction processing system which can be used to sell services on proprietary or non-proprietary hardware thereby creating an e-Fresh™ network. Our e-Fresh™ software creates a digital or electronic payment mechanism as a replacement for cash that allows the system to act as an electronic data warehouse in certain business transactions. Historically, the principal usage of e-Fresh has been the electronic distribution of prepaid telecommunications products in Canada. In recent years, we have licensed our software internationally to allow our partners to develop a local e-distribution network. The software has other potential applications in situations where businesses are looking to replace cash as a mechanism for payment (i.e. gift cards; prepaid credit cards; bill payment; international mobile top and micro-money transfer; prepaid utilities and prepaid cable TV).

The e-Fresh™ software utilizes point-of-sale ("POS") terminals and other electronic terminals as distribution points (located in retail locations) which connect to a central server and provide secure electronic distribution for prepaid goods and services to consumers in real time. Third party kiosks, bank machines, POS terminals, PC computers, Java enabled cell phones, and web browsers are all potentially suitable distribution points.

Compared to the traditional method of delivering prepaid services using cards or plastic vouchers, distributing these services electronically allows substantial savings through reduced printing and packaging costs, physical distribution costs and shrinkage (theft), as well as the elimination of inventory holding costs at the retail distribution level.

Organizational Structure

The Company carries on its business through five, directly or indirectly, wholly-owned subsidiaries (each of which are consolidated in the financial statements): VendTek Industries Inc. (“VES”), VendTek Systems International Inc. (“VII”), VendTek Systems Technologies (Beijing) Co. Ltd. (“VST”), VendTek Systems Asia Pacific (Singapore) Pte Ltd. (“VAP”), and Gulf Prepay Networks (“GPN”).

VES is incorporated in British Columbia. VES operates our legacy vending machine business. These activities are limited to supporting our legacy customers. VES owns VII a company incorporated in the State of Washington, United States. VII is currently inactive.

VST is incorporated in China for developing e-Fresh™ licensed customers and providing low cost software development and support. This company’s objective is to generate recurring license revenues from the world’s largest prepaid and cellular markets. VST’s Chinese operations include sales and marketing, customer support and engineering. With seven years of operating history, VST is continuing to build business with its primary customer in China and evaluating potential opportunities.

GPN is incorporated in the Cayman Islands with the purpose of developing the e-Fresh™ market in the Middle East. GPN is currently inactive.

VAP is incorporated in Singapore and is currently inactive.

On May 7, 2007, we acquired all the issued and outstanding shares of Go Prepaid Inc. (“GPP”), a private company based in Toronto, Ontario. GPP specialized in the distribution of prepaid telecom products and was a distribution partner of ours since 1999. The results of GPP's operations have been included in the consolidated financial statements since the date of its acquisition. On April 30, 2008, GPP was amalgamated with the Company.

Our Strategy

Our primary goal is to maximize the number of transactions processed through our e-Fresh™ system globally. Our business model is scalable. By maximizing transactions, we also maximize revenues and net income. We generate our revenues from the distribution of virtual prepaid products through our NPP network, hardware and equipment sales, license fees from our international customers and related professional service fees.

We use context-specific strategies for different geographic markets and products. Generally, we will either create or operate an e-Fresh™ network ourselves by reselling purchased services (e.g. as the Company currently does in North America for prepaid telecommunications products), or we will license the e-Fresh™ software on a turnkey basis (e.g. as the company does in the United Arab Emirates), earning profits by charging a transaction based license fee.

When we operate an e-Fresh™ network ourselves, as we do in North America, the business focuses on developing a low cost distribution strategy for its end point device software. To this end, we often use Independent Sales Organizations (“ISO”) as distribution partners. These companies deploy terminals used for payment processing and install our software application as a value added service for their merchants. We also sell directly to merchants who may not require an integrated payment/prepaid solution. This operating strategy requires a focus on the product mix being sold to maximize revenues and profits, strong supplier relationships, a clear dedication to operational excellence and a clear strategy for new products and services that can be added to the existing distribution network, all with an eye to maximizing transaction volumes.

When we license our software, as we do internationally, we provide technical support for our customers to make sure they have the opportunity to grow their businesses quickly and cost effectively. To help our licencees expand their distribution networks (serving to increase our revenues), we often provide customized solutions as we did in the case of Carrefour in the United Arab Emirates. In the UAE, Carrefour required our e-Fresh™ system to integrate into their retail POS

system so that transactions could be processed from each of the check out locations in every store. Our licensing model often provides a tiered structure, stipulating minimum monthly fees should the monthly transaction not meet a required level.

Recently, we have also moved to providing software as a service ("SaaS") solution for some of our international customers. This allows us to leverage our existing North American operations, e-Fresh™ servers, infrastructure and core competencies while at the same time letting our international customers focus on growing their business quickly, without expending the time and effort to set up a back office system. Our staff have extensive experience in managing all the operating details of the back office aspect of running an e-Fresh™ network. By letting our customers use this experience, we can immediately provide to them years of operating knowledge. The strategy further benefits the Company by deepening the relationship between us and our customers. The SaaS solution takes advantage of devices that can use the internet to securely connect to our North American server. These devices include POS terminals that use a cellular data connection, mobile phones and PC's running our eFresh PC software. Depending on the extent of the services provided, we are able to charge a higher license fee to those customers using our SaaS offer than under our traditional licensing arrangements.

Overview of Revenues in Canada and the United States

As part of our strategy to develop recurring sources of revenues, we developed our own electronic distribution business across Canada and the United States under the Now Prepay™ brand. NPP uses e-Fresh to distribute cellular and long distance products, financial products, prepaid gift cards and prepaid internet cards. NPP also sells its own branded long distance products: Now#1 and Connect Now. NPP is currently generating the majority of our revenues.

Going forward, we expect to increase sales through continued deployment of e-Fresh™ software to point-of-sale terminals through the NPP network in Canada and the United States, increase the product base available to the NPP network and develop new international markets for the e-Fresh™ software. Due to the lower margins prevalent in our industry, our strategy continues to focus on increasing the volume of transactions processed or distributed through our system.

Prepaid telecom products (prepaid wireless sales dominate the revenues of the prepaid "basket of products" in every geographical market) are sold in a broad category of retail stores. Prepaid products are found in almost every convenience store in North American (not all using electronic delivery) and are also found in grocery, drug store, check cashing, big box stores, electronics stores, etc. Our strategy of partnering with Independent Sales Organizations gives us access to a broad range of merchant types, but typically small chains or independent locations. Our strategy of going direct to the retailer is targeted at larger national chains (for example ESSO) and independent locations that have a high sales volume of prepaid products. We have grown our terminals in Canada from 7,300 in 2005 to 14,735 in 2009. Our terminals deployed in Canada remained constant totaling approximately 14,700 terminals from 2008 to 2009.

The Company has supply contracts with all the major telecom companies in Canada and wholesale distributors in the United States. These contracts describe our commercial relationships with the carrier and the terms under which we are permitted to resell their products. Generally, we issue a purchase order for the quantity of products we require, we take delivery electronically and we load the products onto our e-Fresh™ system (product files are encrypted throughout this process). These products are sold through retailers connected to the e-Fresh™ network. Our system tracks sales by each merchant and each week we automatically remove the appropriate funds from the merchant's designated bank account. We subsequently pay our suppliers and provide a commission to an ISO (if an ISO added the merchant to our network).

The majority of growth to-date has come from our Canadian operations. This is evidenced by our terminal growth outlined above. As the terminal growth slows in Canada, we will focus on increasing

the transactions initiated and processed through each terminal. These will be done through sales and marketing efforts as well as increasing our product offering. Please refer to “Recent Developments” for more information on additional products.

In the U.S., we believe that there are still significant opportunities to increase our POS terminal deployment. We will continue to focus on adding and supporting ISOs which will allow us to grow our North American operations.

Our distribution model in North America continues to be focused on higher volume of transactions with lower margins.

However, internationally, we receive higher margin revenue with minimal costs for us.

International Revenues

We also license our e-Fresh™ software to third-parties (service providers, retailers and retail distributors) allowing them to distribute electronic products and services with increased efficiency. By licensing to our customers, we are developing sources of recurring license revenues from a global and growing market. We receive recurring revenues from fees paid to us each time a transaction is completed on one of our customers’ terminals. We work closely with our international licensees to assist them in developing the necessary infrastructure to increase the size of our e-Fresh™ network. Historically we have provided a licensee exclusivity in a geographical market. However, we have provided non-exclusive licenses for larger potential markets (such as India) or for an initial period until customer performance is proven.

Consumers in countries outside Canada and the U.S. generally use prepaid products significantly more. We have experienced higher transactions per terminal outside North America.

By licensing our software, we have developed a global footprint for our e-Fresh™ network. We have customers throughout the world.

We expect to see continued growth in our higher-margin license revenues from our international customers. Our customer in the United Arab Emirates (“UAE”) has contributed the majority of our license revenues to-date from transactions in the UAE and Africa.

Our revenues from our license customers will continue to grow as our customers deploy POS terminals in their respective regions and add products to their portfolios.

Recent Developments

As a part of our strategy to maximize the number of transactions processed through our system, we have completed a number of agreements.

Canada

In Canada, our goal has been to add more products to allow us to increase the number of transactions per POS terminal. These initiatives include our agreements with More Magic, UKash, and 3V. These initiatives are not capital intensive and generally have higher margins than the distribution of prepaid telecommunications.

Our distribution agreement with MoreMagic Solutions Inc. (“More Magic”), allows to offer additional international products available through the agreement are a value added service for us and broaden our customer base from traditional prepaid customers. Customers in Canada are able to purchase mobile phone top ups from international wireless carriers, allowing them to add value to the mobile phones of family, friends or associates in foreign countries from our retailers across CanadaIn

September 2009, we entered into an agreement with UKash, to provide alternative payment solution to consumers. Established in 2001, Ukash has grown to more than 275,000 physical points of purchase globally and enables consumers from anywhere in the world to shop, pay and play online safely using cash through a secure payment method, developed to protect personal identity and financial information when making online transactions.

In December 2009, we partnered with Vancouver, BC-based Peoples Card Services ("Peoples"), an affiliate of Peoples Trust Company, and Visa Canada, to launch Canada's first prepaid virtual Visa program, the 3V Virtual Visa. The launch follows an agreement between us, Peoples and 3V Transaction Services Ltd ("3V"), Ireland's leading online payments company.

Also in December 2009, we launched a prepaid Visa gift Card to our customers in Canada. This product is a fixed value gift card that is accepted at multiple unaffiliated merchant locations anywhere that Visa is accepted. It can be used like a regular Visa card and has proven to be one of the most popular type of gift cards.

We expect that we will continue to add innovative financial products such as Ukash and prepaid credit cards to our network. The transaction fees that we receive for these products are higher margin than our traditional resale of prepaid telecommunications products.

The U.S.

We have also grown our terminal presence in the U.S. from minimal amounts in 2008 to 650 terminals in 2009. Our strategy in the U.S. is to support our ISOs and add ISOs to increase our terminal deployment.

We have relationships with two large ISOs; Payment Alliance International ("PAI") and United Bank Card Inc ("UBC"). PAI is a leading provider of payment processing solutions for business offering credit card, check processing, ATM network management and business information services. UBC is a payment and transaction processor serving businesses nationwide. Ranked by the Nilson Report as one of the largest payment processors in the United States, UBC currently handles the merchant accounts for over 110,000 merchant locations and processes in excess of $9 billion annually, with those numbers constantly increasing.

In 2009, we partnered with a leader in the prepaid market in the U.S. Alleet is strictly a prepaid services distributor and does not pair our e-Fresh™ application with a payment processing service. As a dedicated prepaid channel they focus efforts on high productivity accounts. We were able to replace a competitor with our solution at some Alleet clients. This transition of Alleet clients is anticipated to continue over the coming 2010 year.

We have added and are in the process of adding additional products in the U.S. to broaden our product portfolio. Our addition of Boost RTR, a direct real time mobile phone top up, has proven to be an industry leader in 2009. We anticipate adding a prepaid Mastercard® as well as bill payment services in the first half of 2010.

International

There have been a number of developments for us internationally.

In 2009, we completed a number of custom integrations for retailers in the UAE. VendTek has developed expertise in multi-lane high volume locations where transaction time must be kept to a

minimum and the eVoucher sales reconciliation must be automated to match store accounting systems. We developed the POS integration software to work with existing systems and allow an external POS terminal to integrate the software. To date the company has installed the software with the following retail outlets Choithram, Al Ain Coop, ENOC Dubai gas station, ADNOC Abu Dhabi gas station, Abu Dhabi Coop, and Lulu Hypermarkets. We also completed an integration for Dubai Duty Free. Generation Research has named Dubai International Airport as the world's top duty free/travel retail location, based on Dubai Duty Free's 2008 sales of US$1.1 billion.

We also have a license customer in China that has expanded their network to 1,200 terminals.

In March 2009, we licensed our technology to iPlay Corporation Co. Ltd. ("iPlay"), a company based in Bangkok, Thailand. iPlay operates the e-Fresh system under their brand "Freepoint". We provide iPlay with e-Fresh™ to electronically distribute their long distance calling card products. iPlay's products are sold in all major department stores and shopping centers along with more than 400 retail stores throughout Bangkok and other major tourist cities. Thailand is ranked 19th in the world on a number of mobile phones in use basis, with more than 51 million currently active. We received minimum software license fees from iPlay in 2009.

In November 2009, we licensed our software to Dups Holdings Pty for Swaziland and the South African Development Region. Members include Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. There are over 130 million prepaid telecommunications users in the region.[1] We expect our partner to launch in 2010.

In 2009, we were successful in launching our SaaS model. We signed three countries during the year.

In October 2009, we signed a license and services agreement with JIL Meridian Venture to provide SaaS for Nigeria. Nigeria is ranked sixteenth in the world on a number of mobile phones in use basis, with more than 64 million currently active.[1] The initial focus will be a satellite TV subscription service followed by prepaid mobile phone top up. A custom bill payment card system is part of this integration with the service provider. Our partner launched the system in January 2010.

In October 2009, we also signed a license and services agreement with Mobi Pay K Ltd. ("Mobi Pay") to provide SaaS for Kenya. Mobi Pay is affiliated with the largest data processing services network in North East Africa and is expected be deploying terminals to primarily replace the hard card mobile phone top-up market. A launch is anticipated in the first half of 2010.

In November 2009, we signed a license and services agreement with Shreya Tech to provide SaaS for India. India is ranked second in the world, behind only China, with more than 500 million active mobile phones. We expect our partner to launch in 2010.

Cost of Revenues

Costs of products and services sold consist of payments to carriers who provide cellular and long distance telephone time and various services associated with production and shipping of products, site commissions, transaction processing expenses and personnel. We do not have significant costs for our license revenues.

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[1] International Telecommunications Union, Information Society Statistical Profiles 2009 Africa

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and operational functions, including finance and accounting. Other significant costs include professional fees for accounting and legal services, consulting fees, facilities costs, travel and general corporate overhead.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of compensation for employees engaged in the sales and marketing functions. Other significant costs include tradeshow participation, journal advertising, and travel. Some of our sales staff is located in China to support our sales initiatives there. Our sales and development costs in China are partially offset by license revenues from our Chinese customers.

Research and Development Expenses

Our research and development expenses consist primarily of compensation costs for engineering personnel, costs associated with various projects, including testing, developing prototypes and related expenses.

Our engineering personnel are located in our offices in Canada, China and the UAE. We fund our operations in China because we believe this allows us to continue our development in a cost effective way. As a percentage of revenue, we expect our research and development expense to decrease as revenue increases.

Critical Accounting Policies and Estimates

The following discussion and analysis is based upon our consolidated financial statements that have been prepared in conformity with Canadian generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. We evaluate our estimates including the determination of the fair value of stock-based compensation and financial instruments, the allowance for doubtful accounts, inventory valuation, tax provisions and the useful lives of property, plant and equipment including intangible assets and valuation of goodwill and intangible assets. The discussion below is intended as a brief discussion of some of the judgements and uncertainties that can impact the application of these policies and the specific dollar amounts reported on our financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions, or if management made different judgements or utilized different estimates. Many of our estimates or judgements are based on anticipated future events or performance, and as such are forward-looking in nature, and are subject to many risks and uncertainties, including those discussed below and elsewhere in this report.

We have identified some of our accounting policies that we consider critical to our operations and the understanding of our results of operations. This is neither a complete list of all our accounting policies, nor does it include all the details surrounding the accounting policies we have identified. There are other accounting policies that are significant to our company. For a more detailed discussion on the application of these and our other accounting policies, see note 2 to the consolidated financial statements for the fiscal year ended October 31, 2009.

Revenue Recognition

The Company's revenue is comprised of three sources: resale and distribution of prepaid telecommunication products (principally prepaid cellular and prepaid long distance products); equipment and parts sales; and software license and the related services sales. Revenues are recognized when pervasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

The Company's revenues are primarily generated from the distribution of prepaid long distance and cellular telephone time, principally from the sale of prepaid calling cards and point of sale activated PINs. Sales of prepaid calling cards and point of sale activated PINs, in accordance with Emerging Issues Committee ("EIC") No. 123, *Reporting Revenue Gross as Principal versus Net as an Agent*, are recognized on a gross basis as the Company is the primary obligor to its customer and incurs inventory risk.

The resale of prepaid telecommunication services where the Company earns commissions on services sold and does not incur inventory risk are recognized at the date of sale as the Company's continued obligations effectively end on that date. These sales are recorded on a net basis. Equipment sales are ancillary to the resale of prepaid products. Equipment sales and parts revenue is recognized when delivered.

Software license and service revenues represent professional service fees received for customization of the e-Fresh software and transaction fees received from the processing of prepaid mobile airtime and other prepaid recharges. Customization fees are recognized at the completion of the contract and transaction-based fees are recognized at the time the transactions are processed.

Stock-Based Compensation

The Company has stock-based compensation plans which are described in note 10 to the consolidated audited financial statements.

The Company accounts for all stock-based payments and awards under the fair value method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period. The Company accounts for the value attributable to the granted options on the consolidated statements of operations and is included in the determination of income.

Goodwill and intangible assets resulting from acquisitions

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is recorded on a reporting unit basis and is not subject to amortization. The carrying value of goodwill is tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill would be reduced with an impairment provision if its carrying value exceeds its estimated fair value.

Intangible assets (acquired either individually or with a group of other assets) are recorded at assigned cost. Intangible assets related to acquisitions are recorded at their estimated fair value at the acquisition date. Intangible assets that have a fixed or determinate life are amortized as follows:

Customer relationships	Straight line over 5 years
Domain names, patents and others	Straight line over 5 years
Computer Software	Declining Balance - 30%

Changes in Accounting Policies

CICA Handbook Section 1400, General Standards of Financial Statement Presentation, has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company adopted the amendments to this section beginning November 1, 2008.

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company adopted this new standard beginning November 1, 2008.

Section 3031, Inventory, of the CICA Handbook replaces Section 3030 and provides guidance on the determination of inventory cost, subsequent recognition as expense, and write-downs to net realizable value. The Company adopted this new standard beginning November 1, 2008.

The adoption of these standards did not result in any material impact on the Company's financial statements.

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by January 1, 2011. Canadian GAAP will be converged with IFRS through a combination of two methods: as current joint convergence projects of the United States' Financial Accounting Standards Board and the International Accounting Standards ("IAS") Board are agreed upon, they will be adopted by Canada's Accounting Standards Board and may be introduced in Canada before the complete changeover to IFRS; and standards not subject to a joint-convergence project will be exposed in an omnibus manner for introduction at the time of the complete changeover to IFRS. In February 2008, the Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada;

In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, for fiscal years beginning on or after January 1, 2011;

Our adoption date of November 1, 2011 will require the restatement, for comparative purposes, of amounts reported by us for our year ended October 31, 2011, and of the opening balance sheet as at November 1, 2010.

We have not yet commenced our IFRS conversion project, and are currently in the process of assembling our team, and evaluating the effect IFRS will have on our company.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Cash is classified as held-for-trading and any period change in fair value is recorded through net income. Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method. Interest income is recorded in net income, as applicable. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in net income, as applicable.

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their short-term nature. The Company does not have derivatives or embedded derivatives.

Summary of Quarterly Results

The following statement of operations data presents the consolidated statements of operations for each of the quarters ended January 31, 2008 and 2009; April 30, 2008 and 2009; July 31, 2008 and 2009; and October 31, 2008 and 2009.

Consolidated Statement of Operations data (in thousands except for earnings (loss) per share)	**Three Months Ended January 31,**		**Three Months Ended April 30,**	
	2008	**2009**	**2008**	**2009**
Revenues	$ 28,743	$ 30,329	$ 28,844	$ 29,319
Gross profit	1,533	1,514	1,700	1,509
Earnings (loss) before income taxes	(11)	(156)	141	(98)
Net earnings (loss)	(11)	(156)	141	(98)
Basic and diluted earnings (loss) per common share	$(0.00)	$(0.00)	$0.00	$0.00

Consolidated Statement of Operations data (in thousands except for earnings (loss) per share)	**Three Months Ended July 31,**		**Three Months Ended October 31,**	
	2008	**2009**	**2008**	**2009**
Revenues	$ 32,774	$ 32,290	$ 32,394	$ 31,769
Gross profit	1,713	1,551	1,644	1,564
Earnings (loss) before income taxes	93	(92)	5	(763)
Net earnings (loss)	93	(92)	2	(763)
Basic and diluted earnings (loss) per common share	$0.00	$0.00	$0.00	$(0.02)

Selected Annual Information

Selected annual financial information derived from the audited consolidated financial statements for the most recently completed financial years is set forth below:

For the years ended October 31 (in thousands except for earnings or loss per share):

	2009	2008	2007
Total assets	$11,174	$10,279	$9,010
Total long-term liabilities	9	22	50
Revenue	123,707	122,754	89,327
Net income (loss) before income tax	(1,109)	228	(605)
Net income (loss) after income tax	(1,109)	224	(607)
Basic Earnings (loss) per share	(0.02)	0.01	(0.01)
Diluted Earnings (loss) per share	(0.02)	0.00	(0.01)

Off-Balance Sheet Arrangements

VendTek does not have any off-balance sheet arrangements.

Results of Operations

Comparison of year and quarter ended October 31, 2009 compared to the year and quarter ended October 31, 2008.

Note: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: VSTB, VSAP, GPN, VES and VII.

The table below sets forth data from our statements of operations for the three months ended October 31, 2009 and 2008, and the years ended October 31, 2008, expressed as a percentage of total revenue.

	Three Months Ended October 31,	
	2009	2008
Prepaid telecommunication revenue	99.0%	98.9%
Hardware revenue	0.1%	0.2%
Software revenue	0.9%	0.9%
Total revenue	100.0%	100.0%
Cost of products sold	95.1%	94.9%
Gross profit	4.9%	5.1%
General and administrative expense	3.3%	3.3%
Selling and marketing	0.5%	1.0%
Research and development	0.6%	0.5%
Restatement Costs	2.2%	0.0%
Amortization	0.3%	0.5%
Other expenses	0.4%	(0.2)%
Income (loss) before income taxes	(2.4)%	0.0%
Income taxes	0.0%	0.0%
Net income	(2.4)%	0.0%

	Fiscal Year Ended October 31,	
	2009	2008
Prepaid telecommunication revenue	98.9%	99.0%
Hardware revenue	0.1%	0.1%
Software revenue	1.1%	0.9%
Total revenue	100.0%	100.0%
Cost of products sold	95.0%	94.6%
Gross profit	5.0%	5.4%
General and administrative expense	3.2%	3.6%
Selling and marketing	0.6%	0.7%
Research and development	0.6%	0.5%
Restatement Costs	1.0%	0.0%
Amortization	0.3%	0.4%
Other expenses	0.1%	(0.0)%
Income before income taxes	(0.9)%	0.2%
Income taxes	0.0%	0.0%
Net income	(0.9)%	0.2%

Three Months Ended October 31, 2009 Compared to Three Months Ended October 31, 2008

Revenue

Revenues for the quarters ended October 31, 2009 and 2008 were $31.768 million and $32.394 million. This represents a decrease of $625,000 from 2008 to 2009.

Our prepaid telecommunications revenue totalled $31.454 million for the quarter ended October 31, 2009 compared to $32.033 million in 2008. Prepaid telecommunications revenue decreased due to a decrease in our hard card sales. Our hard card sales were $145,000 in 2009 compared to $4.093 million in 2008. The $3.948 million decrease is result of the decision by many telephone companies in Canada to eliminate their hard card products.

Without this decrease, our prepaid revenues increased by $3.369 million in the fourth quarter of 2009 compared to the fourth quarter of 2008. Our virtual prepaid revenues in Canada for the fourth quarter of 2009 were $31.258 million compared to $27.933 million in 2008. In the U.S., our virtual prepaid revenues were $51,000 and $7,000 for the fourth quarter of 2009 and 2008 respectively. The increase in our virtual prepaid revenue is due to our ongoing installations of POS terminals across Canada and the U.S.

Our software and related service revenues totalled $283,000 for the fourth quarter of 2009 and $282,000 for the same period in 2008. Our software and service revenue is primarily denominated in U.S. dollars. The average U.S. to Canadian dollar exchange rate during the fourth quarter of 2009 was 1.07 compared to 1.10 for the same quarter in 2008. The decline in the exchange rate was offset by increased transactions in our existing markets and the additional license fees received from our new partner in Thailand. Our hardware revenue for the fourth quarter of 2009 was $31,000 compared to $78,000 in 2008. The decrease was due to the decline in parts orders from our legacy vending machine customers.

Cost of Revenues

Cost of revenues for the three months ended October 31, 2009 was $30.205 million, or 95.1% of revenues, compared to $30.749 million or 94.9% for the same period in 2008. The low margin is indicative of the virtual prepaid telecommunications industry. The decrease in our prepaid margins is due to the increase in commissions paid for one of our larger customers.

General and Administrative

General and administrative expenses were $1.053 million and $1.049 million for the three months ended October 31, 2009 and 2008 respectively. As a percentage of revenue, general and administrative expenses at 3% for the three months ended October 31, 2009 and 2008 respectively. Included in general and administrative expenses was non-cash stock-based compensation expense of $16,000 and $165,000 during the fourth quarter of 2009 and 2008. The decline in stock-based compensation expense was balanced by the increases in compensation expenses due to additional staff members and increased terminal repair and maintenance costs.

Restatement Costs

Restatement costs consist of accounting, legal and consulting costs incurred. We incurred $714,000 of costs related to the restatement of our 2006 and 2007 annual financial statements and the quarters ended January 31, April 30 and July 31, 2008. These costs are one-time expenses that we do not expect to continue after we complete the process.

Sales and Marketing

Our sales and marketing expense were $150,000 and $318,000 for the fourth quarter of 2009 and 2008. As a percentage of revenue, sales and marketing expense was at 0.5% and 1.0% of revenues during the fourth quarter of 2008 respectively. The decrease in 2009 is due to reduced travel and marketing costs related to our U.S. sales initiatives.

Research and Development

Product development costs for the three months ended October 31, 2009 and 2008 were $189,000 and $166,000. This represents 0.6% and 0.5% of our revenues. The increase from 2008 to 2009 was the result of increased compensation expenses from the addition of engineering staff.

Amortization

Amortization expense were $111,000 and $171,000 for the fourth quarter of 2009 and 2008 respectively. The decrease in amortization expense is primarily due to fewer asset additons in 2009 compared to 2008 and as other assets were fully depreciated.

Interest on capital leases

As a result of the completion of lease agreements and recovery of interest expense, interest expense decreased by in the fourth quarter of 2009 compared to the same period in 2008.

Net Income

The consolidated net loss was $763,000 for the fourth quarter ended October 31, 2009, compared with net income of $2,000 for fourth quarter of 2008.

In the fourth quarter of 2009, our net income decreased by $761,000 compared to 2008 due primarily to the $714,000 restatement costs incurred. Our gross margins also decreased by $81,000 compared to the prior year. Foreign exchange differences of $168,000 were added to our loss.

However, during the fourth quarter of 2009, our operating costs (excluding restatement costs) decreased $26,000 compared to the 2008. These decreases were primarily due to decreases in our amortization and sales and marketing expenses.

Year Ended October 31, 2009 Compared to the Year Ended October 31, 2008

Revenues

Our revenues for the years ended October 31, 2009 and 2008 were $123.7 million and $122.8 million respectively. We experienced revenue growth of $900,000 or 1% from 2008 to 2009.

Our prepaid telecommunications revenues for 2009 and 2008 were $122.3 million and $121.5 million. This represents a $749,000 (or 1%) increase from 2008 to 2009.

Our virtual prepaid revenues in Canada for 2009 were $119.3 million compared to $111.1 million in 2008. This represents a $8.181 million or 7% increase. In the U.S., our virtual prepaid revenues increased by $147,000 to $157,000 from $10,000 in 2008. Prepaid telecommunication revenues are dependent on the number of locations we have established as part of our proprietary distribution network and the number of transactions processed through the network. In Canada, we had 15,437 terminals at October 31, 2009, compared to 14,692 terminals at October 31, 2008. In the U.S., we grew our terminals from minimal amounts in 2008 to 650 in 2009.

Our increase in prepaid revenues was partially offset by a decrease in our hard card sales. Our hard card sales were $2.843 million in 2009 compared to $10.421 million in 2008. The $7.578 million decrease is a result of the decision by many telephone companies in Canada to eliminate their hard card products. We expect our sales for these products to decline as the telecommunications companies switch from hard cards to electronic distribution.

Our software and related service revenue increased from $1.074 million in 2008 to $1.328 million in 2009. We received software and service revenues from the U.A.E, China, Thailand and the U.S. Software and services revenue increased primarily due to increased transactions processed through our network in the U.A.E. and a beneficial foreign exchange rates. Our software and related service revenue are denominated in U.S. dollars. The change was also due to difference in the Canadian versus U.S. foreign exchange rate. Average U.S. exchange rate in 2009 was 1.14 compared to 1.07 in 2008.

Our hardware revenues for the year ended October 31, 2009 and 2008 were $84,000 and $134,000 respectively. The changes in hardware revenues are primarily due to changes in demand from our legacy customers for parts from our vending machines.

Cost of Revenues and Gross Margin

Cost of revenues for the years ended October 31, 2009 and 2008 were $117.6 million and $116.2 million respectively. Our gross margins for these years were 5.0% and 5.4%, respectively.

Our prepaid margins for 2009 and 2008 were 3.9% and 4.5%. The low margins are indicative of the virtual prepaid telecommunications industry. The decrease in our prepaid margins is due to the increase in commissions paid for one of our larger customers.

General and Administrative

Our general and administrative expense decreased to $4.0 million in 2009 from $4.4 million in 2008. As a percentage of revenue, general and administrative expenses were 3.2% and 3.6% for the years ended October 31, 2009 and 2008 respectively.

General and administrative expenses decreased mainly due to reduced non-cash stock-based compensation expenses in 2009. Non-cash stock-based compensation expenses included in general and administrative expense for 2009 and 2008 were $108,000 and $938,000 respectively.

Despite the decrease in non-cash stock-based compensation, other general and administrative expenses increased as a result of additional compensation expenses totalling $89,000 from additional staff and increased repairs and maintenance costs totalling $124,000 related to terminals. Other miscellenous general and administrative expenses also increased totalling $197,000 due to business expansion and increased sales transactions. These costs include general consulting and legal expenses, and general operating costs .

Restatement Costs

In 2009, $1.224 million of restatement costs were incurred. These costs include accounting, legal and consulting expenses incurred which were related to the restatement of our 2006 and 2007 annual financial statements and the quarters ended January 31, April 30 and July 31, 2008. These costs are one-time expenses that we do not expect to continue after we complete the process.

Sales and Marketing

Our sales and marketing expense were $683,000 and $880,000 for 2009 and 2008 respectively. As a percentage of revenues, our sales and marketing expenses were 0.6% and 0.7% respectively.

Sales and marketing expenses decreased from 2008 to 2009 partially due to reduced sales and marketing activities by $114,000 as we minimized costs.

Research and Development

Our product development costs for the year ended October 31, 2009, were $780,000, or approximately 0.6% of revenues. This compares to $556,000 (or 0.5% of revenues) for 2008.

New product development is fundamental for our growth. We initiated a number of new developments including system integrations in the U.A.E.

The increase of the expense is also attributed to increased personnel and increased use of contract labour.

Amortization

Amortization expense decreased to $418,000 in 2009 from $510,000 in 2008. The decrease in amortization expense is primarily due to fewer asset additons in 2009 compared to 2008 and as other assets were fully depreciated.

Interest on capital leases

As a result of the completion of lease agreements, interest expense decreased to $4,000 in 2009 compared to $63,000 in 2008. The decrease is due to decrease in our lease obligations.

Foreign Exchange Gain/Loss

Foreign exchange loss for 2009 was $171,000 as compared to a foreign exchange gain of $73,000 in 2008.

Foreign exchange gains or losses arise when foreign currency denominated monetary items are re-valued to the exchange rates in effect at the end of the period. The gain or loss recognized in any given period is affected by changes in foreign exchange rates as well as the composition of our foreign currency denominated monetary assets and liabilities. Foreign exchange loss for 2009 was primarily due to the weakened US dollars and the strengthened Chinese yuan. We were negatively impacted by the decline of the U.S. dollar in 2009. The average Canadian/U.S. foreign exchange rate in 2009 was 1.14 compared to 1.07 in 2008. In addition, the appreciation of Chinese yuan during 2009 increased our research and development costs in China. The average Canadian/Chinese yuan foreign exchange rate in 2009 was 0.17 compared to 0.15 in 2008.

We had more transactions outside Canada in 2009 compared to 2008.

Provision for Income Taxes

Consolidated net loss before taxes was $1.109 million for the year ended October 31, 2009, compared with a net income of $228,000 for 2008. Our provision for income taxes was $0 and $4,000 for 2009 and 2008 respectively. As 2009 incurred a net loss, there is no tax obligation for the year. The net loss was mainly arising from the incurrence of restatement costs. No future tax assets were recognized as there is some uncertainty as to when we will realize the benefit of the future tax assets related to our non-capital losses.

Net Income

The consolidated net loss was $1.1 million for the year ended October 31, 2009, compared with net income of $224,000 for 2008.

In 2009, net income decreased by $1.3 million compared to 2008 due primarily to the $1.2 million restatement costs incurred. Our gross margins also decreased by $452,000 compared to the prior year. Foreign exchange differences of $243,000 was added to our loss.

However, in 2009, our operating costs (excluding restatement costs) decreased $339,000 compared to the 2008. These decreases were primarily due to decreases in our general and administrative and sales and marketing expenses.

Liquidity and Capital Resources

As at October 31, 2009 and 2008 our cash balance was $2.676 million compared to $2.103 million. Our cash position can fluctuate significantly from period to period, largely as a result of differences in

the timing, size and number of transactions, the timing of the receipt of proceeds from retailers, and the timing of the payment of net amounts due to suppliers. We generally collect proceeds from retailers within seven days of the transaction and pay suppliers approximately 21 days following the purchase of inventory. Specifically, we normally collect our cash every Wednesday. If collections from retailers or suppliers happen near a period end, our cash position will be affected accordingly.

Cash Flows Used in Operating Activities

Net cash provided by operating activities was $626,000 in 2009 compared to $2.167 million in 2008. Cash was used primarily for the payments of prepaid expenses and income taxes, and an increase in our accounts receivable in 2009. Cash was provided by an increase in our accounts payable and a decrease in inventory. Our accounts receivable balance was higher as the year end fell on a weekend and we had not yet collected the weeks transactions. This resulted in a higher uncollected balance. Accounts payable balance was higher in 2009 due to accrued restatement costs related to prior years and increased GST payable balance. Inventory balance was lower as inventory is normally purchased mid-week, whereas, the year-end fell on the weekend. We also incurred lower non-cash expenses for amortization of $418,000, in 2009, compared to $510,000 in 2008, and stock-based compensation expenses in 2009 ($108,000) compared to 2008 ($938,000).

Cash Flows from Financing Activities

Financing activities provided cash of $49,000 and $33,000 in 2009 and 2008. Cash was provided primarily through the exercise of stock options for $94,000 in 2009 compared to $162,000 in 2008. Cash was used in the repayment of the Company's lease obligations for $45,000 in 2009 compared to $129,000 in 2008.

Cash Flows from Investing Activities

Investing activities used cash of $102,000 in 2009 and $429,000 in 2008. The funds were used to purchase equipment.

Financial Condition

We believe that we have sufficient cash and working capital to meet our obligations as they become due in 2010. We plan capital expenditure for fiscal 2010 in line with prior years.

We expect to continue using funds generated from our existing operations to further finance the expansion of prepaid telecommunications business in Canada. Working capital is managed by rate of inventory turnover, collection terms with customers and terms granted by suppliers. Our cash flow is dependant on our ability to continue to manage the business cycle. Limited credit facilities from vendors may limit our working capital and cash flows to expand the business. As this business expands, we anticipate the need to purchase additional inventory and POS terminals. A risk to our liquidity is that customers do not pay in a timely manner creating a negative cash flow situation. Please refer to our risks relating to our business for more information.

Our cash flow from operations is impacted by our margin on sales. Increased pricing competition may reduce margins and our ability to negotiate favourable supply contracts will impact our margin, net income and operating cash flow. Please refer to our risks relating to our business for more information.

Historically, the Company has financed its operations through the sale of equity as well as through long-term debt, lease financing, an operating line of credit with a chartered Canadian bank, term loans from the Business Development Bank of Canada and related party debt. VendTek's operations, development and expansion are financed from the cash flow generated from operating activities, including supplier credit.

There are no legal or practical restrictions on the ability of subsidiaries to transfer funds to the company nor are there defaults or arrears or anticipated defaults or arrears on lease payments, interest or principle payments on debt. We have no minimum purchase or supply agreements in place. The Company's current minimum annual contractual obligations are as follows for the years ending October 31:

2010	175,095
2011	111,444
	$ 286,589

Share Capital

We have authorized capital consisting of 100,000,000 common shares without par value. The shares of the Company are publicly traded on the Toronto Stock Venture Exchange under the symbol "VSI".

During 2009, there were 470,000 shares issued from the exercise of options. This resulted in 45,720,461 shares outstanding. As at the date of this MD&A, there are 46,044,461 shares outstanding and 5,629,000 of options outstanding.

Summary of Options Granted

We have a Stock Option Plan (the "Plan") whereby we may grant options to our directors, officers and employees. The terms and conditions of options granted under the Plan are determined solely by our Board of Directors. Options are generally granted with a term of five years and vest over eighteen months, with exercise prices equal to the fair value of the shares on the date of grant.

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

	Number of shares	Weighted average exercise price
Outstanding, October 31, 2007	7,102,286	0.48
Granted	455,000	0.91
Exercised	(809,286)	(0.20)
Cancelled	(35,000)	(0.88)
Outstanding, October 31, 2008	6,713,000	0.54
Granted	-	-
Exercised	(470,000)	(0.20)
Cancelled	(250,000)	(0.98)
Forfeited	(30,000)	(0.20)
Outstanding, October 31, 2009	5,963,000	$ 0.55

Related Party Transactions

The Company has a lease commitment and paid rent of $45,269 to a company in which a director has a minority equity interest. On November 1, 2008, the Company signed a three year lease agreement

which expires October 31, 2011. In addition to minimum lease payments of $4,149 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 terms and conditions consistent with arms' length transactions.

Outlook

We have a multi-point strategy to drive growth with the primary goal of increasing the number of transactions processed through our e-Fresh™ system globally.

Revenues

Going forward, we expect to focus on increasing transaction volumes and sales by deploying e-Fresh™ software to point-of-sale terminals through the NPP network in North America and by supporting existing and adding new partners in international markets.

In Canada, we expect that we will continue to add additional POS terminals and products. While the terminal growth in Canada will unlikely match the growth we have already experienced, we expect that we will see transaction growth from products recently added to our system such as Ukash, prepaid credit cards, and international mobile top-up. These additional products do not require significant capital outlay.

In the U.S., we expect that we will continue to support our existing ISOs and add new ISOs. We believe that our successful execution of this strategy in Canada can be replicated in the U.S. As our ISOs continue to deploy new POS terminals, we believe that we can cost effectively increase our NPP network. We also expect to add additional products to our network in the U.S. We are planning to add additional financial products and bill payment services.

International markets for prepaid telecommunications products are larger than North America. We expect to see continued growth in higher-margin license revenues from our international customers. While our partner in the UAE has contributed the majority of license revenues to-date from transactions in the UAE and Africa, we expect that our new partners in Africa, India and Thailand will launch in 2010 and contribute increasing license fees as their operations expand. We will continue to expand our international network by seeking additional license opportunities. In specific circumstances, we may pursue opportunities to launch our network ourselves in some international markets.

Gross Margins

Generally, while we expect our revenue mix to continue to be dominated by our Canadian revenues (due to the way we recognize our revenues), the global scope of our operations is better evidenced by our gross margins. For example, in 2009, while 1.1% of our revenues were derived from international license revenues, 22% of our gross margin was from international license revenues.

In Canada, we expect to see continued margin pressure as the prepaid telecommunication market matures. This may be partially offset by the increase in sales for higher-margin financial products. This may also be the case for the U.S.

Internationally, we receive 100% margin transaction fees. Currently, we process close to 200,000 transactions a day which improve our lower margin distribution revenues in North America.

We expect our gross margins percentage to increase as our international revenues increase.

Operating Expenses

While we focus on reducing our costs, we expect our operating expenses to remain consistent as a percentage of revenues. However, we expect that our operating expense directed towards our Canadian market will shift as our international operations expand.

Risks Related to our Business

This document contains forward-looking statements, including statements regarding the future success of our business and technology strategies and future market opportunities. These statements are not guarantees of future results. These statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from what is implied by these forward-looking statements. These risks include risks related to revenue growth, operating results, the economic condition of the industries we serve, product development, and litigation as well as other factors described below and elsewhere in this report. Please note that forward-looking statements represent our estimates on the date they were made and undue reliance should not be placed on these statements.

The following internal and external risks may affect VendTek's operations. We continually monitor and evaluate these risk factors and take action to minimize them; however, as many are outside of our control, it is impossible to completely mitigate these risks.

Note: This section is forward-looking by nature. It is qualified entirely by the Forward-Looking Statements disclaimer at the beginning of this MD&A. It is also qualified by the principal risks that could affect our business.

Market Demand for Products and Services

We have experienced growing revenue from our products in the past. Our revenues are based on processing fees and commissions from mobile and other telecommunication operators and distributors of prepaid wireless products. Growth in our prepaid business in any given market is driven by a number of factors, including the extent to which conversion from scratch cards to electronic distribution solutions is occurring or has been completed, the overall pace of growth in the prepaid mobile phone market, our market share of the retail distribution capacity and the level of commission that is paid to the various intermediaries in the prepaid mobile airtime distribution chain.

However, we cannot be certain that product revenue will continue to grow or grow at the same pace as past results. In mature markets, such as the Canada and the U.S., the conversion from scratch cards to electronic forms of distribution is either complete or nearing completion. Therefore, these factors will cease to provide the organic increases in the number of transactions per terminal that we have experienced historically. Also, competition among prepaid distributors results in retailer "churn" and the reduction of commissions paid by mobile operators, although a portion of such reductions can be passed along to retailers. If we cannot continue to increase our transaction levels and per-transaction fees and commissions decline, the combined impact of these factors could adversely impact our financial results.

There is no guarantee that our products will remain competitive, nor that they will respond to market demands, developments or new industry standards. If we are unable to identify a shift in market demand quickly enough, we may not be able to develop products to meet those new demands, or bring them to market in a timely manner. This risk is mitigated through our ongoing commitment to research and development and to constantly improving the products based on industry feedback.

Inventory Risks

We contract with telecommunications companies to purchase PINS and are responsible for payment regardless of whether we sell the products. If we do not sell a significant portion of the inventory purchased on a timely basis, we may experience a working capital deficiency. We mitigate this risk by

managing our inventory purchasing and inventory turnover very carefully. This results in very frequent purchases and sales. We also manage our working capital risk related to inventory by collecting the proceeds from the sale prior to the required payment to our suppliers.

Credit Risks

We contract with retailers that accept payment on our behalf, which we then transfer to an operating account for payment to mobile phone operators. In the event a retailer does not transfer to us payments that it receives for mobile airtime, we are responsible to the mobile phone operator for the cost of the airtime credited to the customer's mobile phone. Although each individual transaction may be immaterial, we can provide no assurance that retailer fraud will not increase in the future or that any proceeds we receive will be adequate to cover losses resulting from retailer fraud, which could have a material adverse effect on our business, financial condition and results of operations. Typically, our exposure on a per retailer basis is limited to $4,000 maximum from time to time.

State of the Economy

Operating results may vary significantly based on the impact of changes in industry cycles and global economic conditions on our customers. VendTek's diversification in terms of geography helps to mitigate this risk.

Research and Development

If we do not respond effectively and on a timely basis to rapid technological change, our products and services may become obsolete. This could result in customer loss and reduced software support revenue. The markets for our products are characterized by:

- rapid and significant technological change
- frequent new product introductions and enhancements
- changing customer demands
- evolving industry standards

Exchange Rates

We operate internationally; accordingly, our contracts and costs are in various local currencies, including United States dollars, Chinese remnimbi, and U.A.E. dhirams. The conversion of our Chinese subsidiary operating results into Canadian dollars for financial statement presentation may impact quarterly or annual results and comparison between prior periods, particularly when exchange rates fluctuate rapidly.

As VendTek expands internationally, the growing diversity of the revenue currencies should serve to offset currency fluctuations.

Ability to Retain and Attract Qualified Employees and Contain Payroll Expenses

Executive management, senior technical personnel and other key personnel are essential to our business. The loss of the services of any of these persons could have a material adverse effect on the business. As a growing company, our ability to develop, market and support our products, could be harmed if VendTek is not able to recruit and retain qualified personnel. In addition, payroll is a significant component of costs for our research and development groups. Local labour market conditions can impact labour expenses.

To mitigate these risks, VendTek offers competitive compensation packages, unique and challenging career opportunities. Our corporate culture supports diversity, creativity and equality, and values

integrity and innovation. In addition to providing a challenging and rewarding work environment, VendTek's social activities and corporate culture foster creativity and teamwork.

Additional Tax Liabilities

As a multinational corporation, we are subject to income taxes and other taxes in Canada and in various foreign jurisdictions. Significant judgment is required when determining our world-wide provision for income taxes and other tax liabilities. In addition, the tax on many intercompany transactions is uncertain.

Although we believe that our tax estimates are reasonable, there is no assurance that the final amounts will not be different from the provisions and accruals presented on our financial statements.

We use external subject matter experts to advise on international tax and transfer pricing issues.

Legal Claims

Possible intellectual property claims and other possible claims against the Company could be time consuming and costly to defend. If we are unsuccessful at defending against such claims, our ability to use intellectual property in the future could be limited or we may have to pay damages. VendTek has established policies that require all staff to comply with intellectual property laws.

Our agreements with customers and partners typically contain provisions designed to limit exposure to potential liability claims. In our agreements for the provision of services, we also try to negotiate limitations on liability. Despite this, it is possible that such provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. To date, we have not received any product liability claims or claims regarding services. A successful liability claim could result in significant monetary liability and could seriously disrupt our business. We seek to minimize the risk of liability claims through a thorough quality assurance process, continual development of our products and staff training. In addition, we maintain certain levels of insurance to mitigate risk related to project execution legal claims.

Intellectual and Intangible Properties

We rely on a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect our proprietary rights. Intellectual property is a key component of the Company's business and any diminution in value or loss of intellectual property rights may have a material impact on the Company and its results of operation.

We provide software products to customers under nonexclusive license and distribution agreements. In order to protect our intellectual property rights, we do not sell or transfer title to our products to our customers.

Instead, under our standard form license agreement, licensed software may be used solely for the customer's internal operations at sites specified in the license contract. However, this affords only limited protection. As our industry is subject to rapid technological change, we believe that factors such as new product development, product enhancement, name and brand recognition, and customer service and support are important in establishing and maintaining a technological advantage.

International Operations

Business may suffer if there is a failure to address the challenges associated with international operations.

Approximately 23% of our gross margin was related to customers outside of Canada in fiscal 2009. It is expected that revenues from customers outside of Canada will continue to account for a significant portion of total revenues for the foreseeable future. Operations outside of Canada are subject to additional risks, including:

- unexpected changes in regulatory requirements, exchange rates, tariffs and other barriers
- political and economic instability
- difficulties in staffing and managing foreign subsidiary operations
- potentially adverse tax consequences

To mitigate these risks, VendTek researches the business and economic environment of a country before beginning business in the country. In countries with which VendTek is unfamiliar, an agent or partner familiar with the region will act on our behalf through the tender and negotiation process.

Availability of Working Capital

We may require additional funds through public or private financing, strategic relationships or other arrangements to meet future growth objectives. There can be no assurance that we will be able to obtain additional funding on favourable terms, if at all. If VendTek cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance products and services, expand the business, acquire complementary businesses or technologies, respond to competitive pressures or unanticipated requirements, or take advantage of future opportunities, which could have a material adverse effect on our business. VendTek is cash flow positive and at October 31, 2009, had cash and equivalents of $2.676 million which, coupled with our existing line of credit of $1.00 million, we believe is sufficient to meet our growth objectives.

Evolving financial reporting standards, regulation of corporate governance and public disclosure

Changing financial reporting standards, corporate governance laws and regulations, including National Instrument 52-109, and the pending changeover to International Financial Reporting Standards may create challenges for VendTek.

The application of these new securities laws and financial reporting standards will evolve over time and may result in higher costs and periods of uncertainty regarding compliance matters and director and officers' liability.

We employ financial professionals with accounting designations in key roles and invest in training and professional development to ensure that our people are current on standards and best practices for financial reporting. When necessary, we also use external subject matter experts in areas where our internal resources lack expertise.

The growth and profitability of our prepaid business is dependent on certain factors that vary from market to market.

Forward-looking Statements

This Management's Discussion and Analysis contains statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained in this Management's Discussion and Analysis constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things the Company's

expectations regarding future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this Management's Discussion and Analysis reflects the Company's current beliefs on the date of this Management's Discussion and Analysis based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause the Company's actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, revenue growth, operating results, the market demand for our products, product development, and litigation as well other factors described in the Risks Related to Our Business Section above. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Management's Discussion and Analysis. Accordingly, all such factors should be considered carefully when making decisions with respect to the Company, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of February 24, 2010. The Company assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

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VendTek Systems Inc. is a publicly traded company listed on the Canadian TSX-Venture Exchange symbol VSI.