

Consolidated Financial Statements of

**VENDTEK SYSTEMS INC.**

Three months ended January 31, 2010 and 2009  
(Unaudited)

# VENDTEK SYSTEMS INC.

Consolidated Balance Sheets  
(Unaudited)

	January 31, 2010	October 31, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 2,434,808	\$ 2,676,158
Accounts receivable	3,649,280	3,544,251
Income tax recoverable	618,373	618,373
Inventories (note 2)	2,226,631	2,418,738
Prepaid expenses and deposits	105,030	85,437
	<u>9,034,122</u>	<u>9,342,957</u>
Equipment	585,187	613,094
Intangible assets	281,280	310,184
Goodwill	907,342	907,342
	<u>\$ 10,807,931</u>	<u>\$ 11,173,577</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,904,684	\$ 8,222,939
Current portion of capital lease obligation	8,362	13,145
	<u>7,913,046</u>	<u>8,236,084</u>
Capital lease obligation	5,965	8,503
	<u>7,919,011</u>	<u>8,244,587</u>
Shareholders' equity:		
Share capital (note 3)	8,580,012	8,460,132
Contributed surplus (note 3)	2,150,842	2,204,518
Accumulated deficit	(7,841,934)	(7,735,660)
	<u>2,888,920</u>	<u>2,928,990</u>
	<u>\$ 10,807,931</u>	<u>\$ 11,173,577</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“signed”

“signed”

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Garth Albright, Director

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Martin Parent, Director

# VENDTEK SYSTEMS INC.

Consolidated Statements of Operations, Comprehensive Income (Loss) and Accumulated Deficit  
(Unaudited)

For the three months ended January 31, 2010 and 2009

	2010	2009
Revenue:		
Prepaid telecommunication	\$ 29,999,456	\$ 30,221,912
Hardware and equipment	33,488	18,938
Software license and services	318,294	386,000
	<u>30,351,238</u>	<u>30,626,850</u>
Cost of revenues:		
Prepaid telecommunication	28,866,174	29,111,510
Hardware and equipment	2,937	870
	<u>28,869,111</u>	<u>29,112,380</u>
	1,482,127	1,514,470
Operating expenses:		
General and administrative	997,734	1,192,775
Selling and marketing	200,071	161,358
Research and development	172,700	204,272
Restatement costs	120,000	-
Amortization	89,492	100,468
Interest on capital lease obligations	1,355	3,901
Foreign exchange (gain) loss	7,049	7,506
	<u>1,588,401</u>	<u>1,670,280</u>
Net loss and comprehensive loss	(106,274)	(155,810)
Deficit, beginning of period	(7,735,660)	(6,626,694)
Deficit, end of period	<u>\$ (7,841,934)</u>	<u>\$ (6,782,504)</u>
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding:		
Basic	45,980,723	45,126,826
Diluted	45,980,723	45,126,826

See accompanying notes to consolidated financial statements.

# VENDTEK SYSTEMS INC.

Consolidated Statements of Cash Flows  
(Unaudited)

For the three months ended January 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net loss	\$ (106,274)	\$ (155,810)
Items not involving cash:		
Amortization	89,492	100,468
Stock-based compensation	1,404	118,524
	(15,378)	63,182
Changes in non-cash operating working capital items	(250,765)	(6,695)
	(266,143)	56,487
Financing:		
Repayment of lease obligations	(7,321)	(10,546)
Proceeds from options exercised (note 3)	64,800	-
	57,479	(10,546)
Investments:		
Purchase of equipment	(32,686)	(12,257)
Increase (decrease) in cash	(241,350)	33,684
Cash, beginning of period	2,676,158	2,102,666
Cash, end of period	\$ 2,434,808	\$ 2,136,350
Supplemental information:		
Interest paid	\$ 1,355	\$ 2,219

See accompanying notes to consolidated financial statements.

# VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements  
(Unaudited)

For the three months ended January 31, 2010 and 2009

## 1. Basis of presentation:

The unaudited interim consolidated financial statements for the three months ended January 31, 2010, should be read in conjunction with the audited consolidated financial statements of VendTek Systems Inc. (the "Company") for the year ended October 31, 2009. These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles for interim financial statements and are based on accounting principles and practices consistent with those used in the payments of the annual consolidated financial statements.

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

## 2. Inventories:

Inventories consisted of the following at January 31:

	January 31, 2010	October 31, 2009
Prepaid products	\$ 2,214,167	\$ 2,383,090
Hardware parts	12,464	35,648
	<u>\$ 2,226,631</u>	<u>\$ 2,418,738</u>

## 3. Share capital:

(a) Issued and outstanding:

	Three months ended January 31, 2010		Three months ended January 31, 2009	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
100,000,000 authorized:				
Common shares issued:				
Balance, beginning of period	45,720,461	\$ 8,460,132	45,250,461	\$ 8,344,732
Stock options exercised	324,000	119,880	-	-
Balance, end of period	<u>46,044,461</u>	<u>\$ 8,580,012</u>	<u>45,250,461</u>	<u>\$ 8,344,732</u>

# VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements  
(Unaudited)

For the three months ended January 31, 2010 and 2009

### 3. Share capital (continued):

#### (b) Contributed surplus:

A summary of contributed surplus is as follows:

	January 31, 2010	October 31, 2009
Balance, beginning of period	\$ 2,204,518	\$ 2,117,835
Stock-based compensation	1,404	108,083
Conversion to share capital from options exercised	(55,080)	(21,400)
Balance, end of period	\$ 2,150,842	\$ 2,204,518

#### (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, 2009	5,963,000	\$ 0.55
Forfeited	(10,000)	0.20
Exercised	(324,000)	0.20
Balance, January 31, 2010	5,629,000	\$ 0.57

No options were granted or cancelled for the three months ended January 31, 2010 (2009 – nil).

# VENDTEK SYSTEMS INC.

Notes to Consolidated Financial Statements  
(Unaudited)

For the three months ended January 31, 2010 and 2009

### 3. Share capital (continued):

(c) Stock options (continued):

The following table summarizes information about share options outstanding at January 31, 2010:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.20 - \$0.40	1,350,000	0.54	\$0.20	1,350,000	\$0.20
\$0.41 - \$0.60	2,000,000	1.81	0.53	2,000,000	0.53
\$0.61- \$0.98	2,279,000	2.30	0.81	2,279,000	0.81
<b>\$0.20 - \$0.98</b>	<b>5,629,000</b>	<b>1.70</b>	<b>\$0.57</b>	<b>5,629,000</b>	<b>\$0.57</b>

### 4. Related party transactions:

During the three months ended January 31, 2010, the Company paid rent of \$12,447 (2009 - \$12,447) to a company in which a director has a minority equity interest. 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.

### 5. Segmented Disclosure:

The Company has determined that it operates as a single segment. Substantially all of the Company's sales are within Canada and its assets are also primarily based in Canada.