Q3

Consolidated Financial Statements
For the Nine Months Ended
July 31, 2003 and 2002
(unaudited - see Notice to Reader)

VendTek Systems Inc.

2003

VendTek Systems Inc.

Consolidated Financial Statements

For the Nine Months Ended July 31, 2003

(Unaudited – see Notice to Reader)

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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Notice to Reader

We have compiled the consolidated balance sheets of VendTek Systems Inc. as at July 31, 2003 and the statements of operations and deficit, operations schedules, and cash flows for the three months and nine months ended July 31, 2003 and 2002 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

/s/ "Manning Elliott"

Chartered Accountants

Vancouver, Canada

September 10, 2003

VendTek Systems Inc.

Consolidated Balance Sheets

	July 31, 2003 $ (unaudited)	October 31, 2002 $ (audited)
Assets		
Current Assets		
Cash and equivalents	195,454	409,570
Accounts receivable	308,358	664,563
Inventory	754,957	596,394
Prepaid expenses	–	5,500
	1,258,769	1,676,027
Property, Plant and Equipment	204,818	192,260
Deferred Finance and Acquisition Costs *[Note 3[b]]*	52,842	64,734
	1,516,429	1,933,021
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	1,064,008	792,359
Customer deposits	–	35,636
Current portion of long-term debt *[Note 3]*	4,487	25,451
	1,068,495	853,446
Long-Term Debt *[Note 3]*	496,293	491,187
	1,564,788	1,344,633
Shareholders' Deficit		
Capital Stock *[Note 4]*	3,588,439	3,479,639
Equity Portion of Convertible Debt *[Note 3[b]]*	34,000	34,000
Deficit	(3,670,798)	(2,925,251)
	(48,359)	588,388
	1,516,429	1,933,021

(See accompanying notes to consolidated financial statements)

Approved on Behalf of the Board:

/s/ "Paul Brock"
Paul Brock, President and Chief Executive Officer

/s/ "Peter Read"
Peter Read, Director

VendTek Systems Inc.

Consolidated Statements of Operations and Deficit

For the Three Months and Nine Months Ended July 31, 2003 and 2002

(Unaudited – see Notice to Reader)

	Three months ended July 31,		Nine months ended July 31,	
	2003	2002	2003	2002
	$	$	$	$
Revenue *[Schedule]*	3,157,405	282,798	7,948,459	1,042,462
Direct Costs *[Schedule]*	3,031,621	136,321	7,541,751	651,342
Gross Profit	125,784	146,477	406,708	391,120
Expenses *[Schedule]*				
General and administrative	198,803	251,116	644,143	690,040
Product development	88,677	112,374	291,775	307,350
Selling and marketing	119,560	84,075	216,337	171,035
	407,040	447,565	1,152,255	1,168,425
Net Loss For the Period	(281,256)	(301,088)	(745,547)	(777,305)
Deficit - Beginning of Period	(3,389,542)	(2,510,177)	(2,925,251)	(2,033,960)
Deficit - End of Year	(3,670,798)	(2,811,265)	(3,670,798)	(2,811,265)
Loss Per Share - Basic and Fully Diluted	(.01)	(.02)	(.03)	(.06)

(See accompanying notes to consolidated financial statements)

VendTek Systems Inc.

Consolidated Statements of Operations Schedules

For the Three Months and Nine Months Ended July 31, 2003 and 2002

(Unaudited – see Notice to Reader)

	Three months ended July 31,		Nine months ended July 31,	
	2003	2002	2003	2002
	$	$	$	$
Revenue				
Systems and parts	162,869	251,268	294,267	714,775
License and engineering revenues	39,960	31,530	253,230	109,328
Pre-paid PIN	2,885,972	–	7,305,826	218,359
Commission	68,604	–	95,136	–
	3,157,405	282,798	7,948,459	1,042,462
Direct Costs				
Direct labour	33,069	53,061	124,987	157,889
Freight, shipping and customs	4,675	14,623	10,152	25,311
Subcontract and miscellaneous	17,947	1,108	18,345	1,803
Purchases (net of opening and closing inventory)	2,975,930	64,272	7,388,267	491,375
Inventory obsolescence	–	3,257	–	(25,036)
	3,031,621	136,321	7,541,751	651,342
General and Administrative Expenses				
Accounting, legal and regulatory fees	10,703	21,106	82,918	60,452
Amortization of property, plant and equipment	7,998	19,847	34,816	68,030
Amortization of deferred finance costs	4,514	3,963	12,442	10,568
Bank charges and short-term interest	3,763	1,680	8,003	9,911
Computer expenses	6,476	3,402	6,816	9,816
Interest on long-term debt	12,060	15,894	35,708	46,044
Investor relations	3,089	7,373	19,324	16,222
Office	6,243	21,524	66,263	58,982
Rent and utilities *[Note 6]*	45,439	31,624	110,601	101,661
Salaries and benefits	84,404	111,311	231,732	268,923
Shop supplies	165	208	760	1,109
Telecommunications	11,226	12,470	29,717	29,392
Travel and promotion	2,723	2,692	5,043	17,184
Less interest and other income	–	(1,978)	–	(8,254)
	198,803	251,116	644,143	690,040
Product Development Expenses				
Materials and write down of development inventory	–	(3,796)	161	10,016
SR&ED tax credit	–	–	–	(12,740)
Travel	509	7,729	2,242	9,152
Wages and benefits	88,168	108,441	289,372	300,922
	88,677	112,374	291,775	307,350
Selling and Marketing Expenses				
Advertising, promotion and trade shows	5,324	2,085	16,274	2,531
Travel	65,497	30,361	86,286	47,818
Wages and benefits	48,739	51,629	113,777	119,060
Write-down of demonstration inventory	–	–	–	1,626
	119,560	84,075	216,337	171,035

(See accompanying notes to consolidated financial statements)

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the Nine Months Ended July 31, 2003 and 2002

(Unaudited – see Notice to Reader)

	Three months ended July 31,		Nine months ended July 31,	
	2003 $	2002 $	2003 $	2002 $
Operating Activities				
Net loss for the period	(281,256)	(301,088)	(745,547)	(777,305)
Items not involving cash				
Loss on disposal of capital assets	–	2,462	–	2,462
Accretion of convertible debenture to face value	1,700	1,700	5,100	5,100
Amortization of property, plant and equipment	7,998	19,847	34,816	68,030
Amortization of deferred finance charges	3,964	3,963	11,892	10,568
Gain on disposal of marketable securities	–	(6,340)	–	(6,340)
Net change in non-cash working capital items	177,338	125,077	439,155	(1,832)
Cash To Operating Activities	(90,256)	(154,379)	(254,584)	(699,317)
Financing Activities				
Issuance of convertible debentures	–	–	–	500,000
Shares issued for cash	–	–	120,000	–
Financing costs deferred	–	–	–	(45,920)
Shares issued for cash on business combination	–	–	–	659,765
Business acquisition costs	–	–	–	(104,420)
Costs of share issuances	–	–	(11,200)	(5,000)
Related party amounts	–	(11,711)	–	(15,737)
Repayment of capital lease obligations	(5,506)	(13,008)	(20,958)	(33,014)
	(5,506)	(24,719)	87,842	955,674
Investing Activities				
Purchase of capital assets	(26,326)	(3,182)	(47,374)	(20,032)
Proceeds from sale of investments	–	10,890	–	10,890
Proceeds from disposal of capital assets	–	2,096	–	2,096
	(26,326)	9,804	(47,374)	(7,046)
Increase (Decrease) in Cash During the Period	(122,088)	(169,294)	(214,116)	249,311
Cash - Beginning of Period	317,542	229,912	409,570	(188,693)
Cash - End of Period	195,454	60,618	195,454	60,618
Non-Cash Financing Activities				
Issuance of 992,425 common shares to purchase all of the preferred shares and to settle the unpaid dividends owing of $95,833	–	–	–	272,916
Supplemental Disclosures				
Cash paid – Income tax	–	–	–	–
Cash paid – Interest	33,249	15,894	33,559	46,044

(See accompanying notes to consolidated financial statements)

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

1. Nature of Operations

VendTek Systems Inc. (the "Company") develops and licenses transaction automation system software and supporting technologies focusing primarily in the prepaid telecom and financial services industries. The Company is commercializing its products through a) its wholly owned subsidiaries, VendTek Industries Inc. and Now Prepay Corp., based in Port Coquitlam, British Columbia, Canada and VendTek Systems Technologies (Beijing) Co., Ltd., which is based in Beijing, China, and b) through its customers.

VendTek's e-Fresh™ products provide infrastructure to service providers, retailers and retail distributors allowing them to distribute electronic products and services with increased efficiency. By licensing to its customers, the Company is working to develop sources of recurring license revenues from a global and growing market.

2. Summary of Significant Accounting Policies

Basis of consolidation and presentation

These financial statements include the accounts of the Company and its wholly-owned Canadian subsidiaries, VendTek Industries Inc., and Now Prepay Corp. VendTek Industries Inc. owns VendTek International Inc. (a U.S. company) which is inactive and has no assets. These financial statements also include the accounts of its wholly-owned operating China subsidiary, VendTek Systems Technologies (Beijing) Co., Ltd.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, property, plant and equipment and other long-term assets, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Stock based compensation

Effective January 1, 2002 the Corporation prospectively adopted the new recommendations of the Canadian Institute of the Chartered Accountants with respect to stock-based compensation. The Corporation, accounts for its stock based compensation plans using the intrinsic value method rather than the fair value method. The exercise price of all stock options granted to employees and directors by the Corporation are at the current market price of the common shares at the time of grant and therefore, in accordance with the intrinsic value method no compensation expense is recognized in the financial statements.

Interim financial statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

3. Long-Term Debt

	July 31, 2003 $ (unaudited)	October 31, 2002 $ (audited)
Convertible Debentures – See (b) below	477,900	472,800
Capital Leases - capital leases in respect of computer equipment mature at varying dates to 2005 and bear interest at a weighted average rate of 13.5%	22,880	43,838
	500,780	516,638
Less: Current portion of capital leases	(4,487)	(25,451)
	496,293	491,187

(a) Principal repayments over the next two fiscal years with respect to capital leases are as follows:

	$
2003	4,487
2004	18,393
	22,880

(b) Convertible Debentures

On November 29, 2001 the Company completed a convertible debenture financing. The Company received $500,000 and issued $500,000 of redeemable convertible debentures with a principal amount of $1,000 each to one investor. A 7% cash finders' fee was paid. Costs of completing this transaction, totalling $76,346, have been deferred and are being amortized to operations over the five-year term. The debentures attract interest at a rate of 9½% and mature June 30, 2006. These debentures are convertible, at the option of the holder, into common shares at the following rates:

i) January 1, 2003 to June 30, 2003 - $1.50 per share
ii) July 1, 2003 to June 30, 2004 - $3.00 per share
iii) July 1, 2004 to June 30, 2005 - $4.00 per share
iv) July 1, 2005 to June 30, 06 - $5.00 per share

The estimated equity value of the conversion feature of the debentures of $34,000 has been included as a separate component of shareholders' equity. The equity component was calculated as the difference between the gross proceeds received by the Company and the discounted cash flow of repayments based on an annual rate of 12%, which is consistent with similar borrowings available to the Company, without conversion features. The remaining portion of $466,000 was classified as a long-term liability. The debt component is being accreted to its face value at maturity over the term of the debt through a charge to interest expense.

4. Capital Stock

Authorized:

100,000,000 common shares without par value

	#	Value $
Issued at October 31, 2002 (audited)	22,711,294	3,479,639
Issued for cash pursuant to a private placement	1,000,000	120,000
Less costs of share issuances	–	(11,200)
Issued at July 31, 2003 (unaudited)	23,711,294	3,588,439

4. Capital Stock (continued)

(a) Escrow shares

2,000,000 shares held in escrow were all released on May 3, 2001. 500,000 shares were immediately released to the shareholders and 1,500,000 shares were immediately transferred to an earn-out Pool Agreement. On May 3, 2002, 500,000 shares were released leaving 1,000,000 shares in the earn-out pool. The Company has agreed to and intends to apply for the release of the remaining 1,000,000 shares from the earn-out pool.

As at July 31, 2003 there are 1,349,850 shares held in escrow.

(b) Warrants outstanding as at July 31, 2003 (unaudited):

#	Price $	Expiry Date
93,126	0.87	July 1, 2004
3,000,000	0.15	October 10, 2004
910,000	0.15	October 30, 2004
73,602	0.54	November 9, 2004
125,000	0.40	November 9, 2004
1,000,000	0.15	December 5, 2004
5,201,728		

(c) Stock options

Outstanding as at July 31, 2003:

October 31, 2002 # (audited)	Price $	Granted #	Exercised #	Cancelled #	July 31, 2003 # (unaudited)	Expiry Date
575,350	0.20	–	–	–	575,350	October 5, 2004
6,000	0.20	–	–	–	6,000	March 29, 2005
5,000	0.20	–	–	–	5,000	August 21, 2005
441,200	0.20	–	–	–	441,200	April 10, 2006
100,000	0.20	–	–	–	100,000	November 22, 2006
200,000	0.20	–	–	–	200,000	January 16, 2007
200,000	0.20	–	–	100,000	100,000	September 18, 2007
–	0.20	810,000	–	–	810,000	June 17, 2008
1,527,550		810,000	–	100,000	2,237,550	

On June 17, 2003 the Company granted 810,000 stock options to certain directors and employees at a price of $0.20 per share for current services provided to the Company. These options expire June 17, 2008. Section 3870 of the CICA Handbook requires that a Company recognize, or at its option, disclose the impact of the fair value of stock options and other forms of stock based compensation in the determination of income. The Company has elected to measure compensation costs on the intrinsic value basis. As stock options are granted at exercise prices based on the market price of the Company's shares at the date of grant, no compensation cost is recognized. However under CICA 3870 the impact on net income and income per share of the fair value of stock options must be measured and disclosed on a fair value based method on a pro forma basis.

The fair value of the options was estimated using the Black-Scholes model: risk-free interest rate was 3.25%, expected volatility of 30%, an unexpected life of five years and no expected dividends.

4. Capital Stock (continued)

(c) Stock options (continued)

The weighted average number of shares under option and the weighted average option price for the year ended is as follows:

	#	Weighted Average Option Price $	Weighted Average Remaining Life of Options (Months)
Beginning of year	1,527,550	.20	
Granted	810,000	.20	
Exercised	–	–	
Cancelled	(100,000)	(.20)	
Lapsed	–	–	
End of year	2,237,550	.20	33

If compensation expense had been recorded at fair value the Company's net loss and loss per share for fiscal 2003 would have been as follows:

	$
Net loss	
As reported	(745,547)
Pro forma	(745,827)
Basic net loss per share	
As reported	(.03)
Pro forma	(.03)

5. Related Party Transactions

Included in the net loss for the year to date is rent of $ 55,165 (2002: $55,165) paid to a company in which a director has a minority interest. The Company's premises lease with the related company expired October 31, 2001 and is currently on a month-to-month basis.

6. Segmented Information

The Company operates in one industry (see Note 1) and two geographic segments, being Canada and China.

	NPC $	China $	Other Rev $	Total $
Revenue	7,405,285	64,390	478,784	7,948,459
Gross Profit	150,901	63,351	192,456	406,708
Net Loss	(164,793)	(12,407)	(568,347)	(745,547)
Identifiable Assets	559,109	59,330	897,990	1,516,429

SCHEDULE "B" - SUPPLEMENTARY INFORMATION

1. See Schedule "A" where sufficient detail is included in the consolidated financial statements.

2. Included in the net loss for the quarter is rent of $56,882 (2002 - $55,165), paid to a company that is a wholly owned by Shellborn Enterprises Ltd. (SEL). SEL has a minority shareholder who is a director of the Company.

3. (a) Securities issued during the quarter: None

   (b) Options granted during the quarter: June 17, 2003 – The Company announced the granting of an aggregate of 810,000 incentive stock options pursuant to he Company's stock option plan. The options have a term of five years, with an exercise price of $0.20 per share.

Recipient	Options Granted
Employees	
Cristian Andronic	10,000
Wesley Doerksen	10,000
Larry Feltrin	10,000
Lorne Hole	5,000
Chris Lawrence	15,000
Vincent Ma	10,000
Cynthia Nordquist	15,000
David Rambaran	50,000
Leslie Roffey	10,000
Juan Carlos Vera	10,000
Soan-Foo Voon	10,000
Lily Lee	5,000
Nancy Wu	10,000
Tracy Han	10,000
Johnson Zou	10,000
Anita Yue	10,000
Consultants and Advisors	
Jing Li	20,000
Now "advisory" Board	
Darryl McDaniel	40,000
Keith Turner	25,000
George DeMarchi	25,000
John Langan	25,000
Martin Perant	25,000
Directors and Officers	
Toby Lim	50,000
Weiguo Lang	100,000
LinChao Lu	50,000
Jiashu Guan	50,000
Management	
Paul Brock	50,000
Peter Read	50,000
Grant Shellborn	50,000
Doug Buchanan	50,000

4. (a) See Note 5 to Schedule “A”.

   (b) See Note 5 to Schedule “A”.

   (c) See Note 5 to Schedule “A”.

   (d) See Note 5 to Schedule “A”.

5. As at September 16, 2003:

   List of Directors:
   Paul Brock
   Grant Shellborn
   Peter Read
   Doug Buchanan
   Weiguo Lang
   Sherri MacDonald

   List of Officers:
   Paul Brock – President and Chief Executive Officer
   Grant Shellborn – Vice President of Product Development and Information Systems
   Peter Read – Vice President of Operations
   Doug Buchanan – Vice President of Sales and Marketing
   Toby Lim – Secretary

SCHEDULE "C" - MANAGEMENT DISCUSSION

Note: The following management discussion has been prepared as a summary of activities for the nine months ended July 31, 2003 and of significant subsequent events to the date of this report.

NATURE OF BUSINESS

VendTek Systems Inc. (the "Company") develops and licenses transaction automation system software and supporting technologies focusing primarily in the prepaid telecom and financial services industries. The Company is commercializing its products through a) its wholly owned subsidiaries, VendTek Industries Inc. and Now Prepay Corp., based in Port Coquitlam, British Columbia, Canada and VendTek Systems Technologies (Beijing) Co., Ltd., which is based in Beijing, China, and b) through its customers.

The Company's foremost product is its proprietary e-Fresh™ Software which consists of a suite of server applications and corresponding client modules. The e-Fresh™ software is used to create a distribution system which can be used to sell services on proprietary or non-proprietary hardware thereby creating an e-Fresh™ network.

VendTek's products provide infrastructure to service providers, retailers and retail distributors allowing them to distribute electronic products and services with increased efficiency. By licensing to its customers, the Company is working to develop a source of recurring revenues from a global and growing market. Recurring revenues result from a fee being paid to VendTek each time a transaction occurs on one of the systems terminals.

The e-Fresh™ software utilizes POS terminals or other electronic terminals which connect to a central server, and provide secure electronic distribution for prepaid goods and services to consumers in real time. In addition to VendTek manufactured kiosk terminals, third party bank machines, POS terminals, PC based kiosks, and web browsers are all potentially suitable distribution points. Compared to the traditional method of delivering prepaid services using paper or plastic vouchers, distributing 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.

In the past, the Company developed electronic vending systems for distributing vouchers, tickets and card products in the pre-paid long distance, lottery, postal and transit industries. The Company has effectively discontinued this aspect of the business in order to focus on the e-Fresh™ software. The Company remains capable of continuing to support legacy product customers' needs.

The Company initially entered the e-Fresh™ business by developing a self-serve terminal product for smart card vending and loading for Visa International's Visa Cash™ smart cards. This product development facilitated development of the prepaid pin distribution and money transfer systems later introduced.

As part of the Company's strategy to develop recurring sources of revenues from the e-Fresh™ software, the Company is developing its own electronic distribution business across Canada under the Now Prepay™ brand and the Now Prepay Corp. subsidiary. Now Prepay is currently selling all four national cellular providers and a variety of long distance products such as Now#1 and Connect Now. The Now Prepay business is operational and generating growing recurring revenues from the sale of prepaid services through the e-Fresh Network it has created.

Similar to Now Prepay in Canada, VendTek Systems Technologies (Beijing) is also now operational and generating recurring license revenues in China from the licensing of e-Fresh™ Software to the Company's customer, the UFO Group. Our staff in the Beijing office coupled with a good business relationship with our customer in China, provides the foundation to launch the e-Fresh™ technology in additional provinces in China.

As a result of the Company's strategy to shift into software licensing, the Company's revenues are now materially derived from the e-Fresh™ based businesses. This consists primarily of voucher sales revenues from the Now Prepay business and the license fees from VendTek Systems China and VendTek's other customers.

The Company's consolidated financials include the revenues from the Now Prepay business in which a high volume of sales shows a relatively low transaction based margin. These revenues are consolidated with the relatively high margin business of software licensing, but with as of yet much lower total revenues. The Company anticipates increasing revenues from both the Now Prepay business and software licensing resulting in increasing consolidated gross margin over time.

SIGNIFICANT EVENTS AND HIGHLIGHTS DURING THE YEAR AND TO THE DATE OF THIS REPORT

- July 31, 2003 - The Company announced that it has signed a new partnership agreement with the UFO Group in China.
- July 24, 2003 - Company announced that it has reached a milestone in the development of its Now Prepay business with 1000 e-Fresh Clients in POS terminals deployed in retail stores across Canada.
- July 21, 2003 – The Company announced that VendTek's unattended load terminals for Visa Cash TIBC 3.0 (Advantis) loading of smart cards and credit / debit associated accounts have complied with Visa International Latin America and Caribbean Region's requirements.
- July 10, 2003 – The Company announced that Wireless Products Marketing Inc. purchased an additional 100 Now Prepay client licenses.
- July 9, 2003 – The Company announce that Tangarine Concepts Corporation purchased an additional 200 Now Prepay client licenses.
- July 7, 2003 – The Company announced the launch of Now Prepay terminals into service in 65 Pioneer Petroleum Snack Express retailers.
- June 23, 2003 – The Company released an announcement clarifying the comparative six month periods for the previous announcement.
- June 19, 2003 – The Company announced a 531% increase in revenues for the six months ending April 30, 2003 compared to the six months ending April 30, 2002.
- June 17, 2003 - Company announced the granting of an aggregate of 810,000 incentive stock options to certain directors, officers, employees and consultants of the Company, pursuant to the Company's stock option plan. The options shall have a term of five years, with an exercise price of $0.20 per share.
- June 17, 2003 - Company announced that Mr. Toby Lim has replaced Mr. Jeff Durno as the corporate secretary.
- June 17, 2003 - The Company announced that it agreed, to the dissolution of the voluntary pooling agreement pursuant to which 1,000,000 common shares, held by the current principals of the Company, were voluntarily pooled following their release in the fiscal year ended October 31, 2000, from regulatory escrow under Local Policy 3-07.
- June 9, 2003 – The Company announced that its subsidiary Now Prepay Corp. has entered into an agreement to place e-Fresh™ terminals with Pioneer Petroleum's, Ontario's largest independent gasoline retailer.
- June 2, 2003 - The Company announced that its subsidiary Now Prepay Corp. ("Now Prepay") sold an additional 100 e-Fresh licenses to Go Prepaid Inc.
- May 12, 2003 – The Company announced the sale of an additional 100 POS terminals and e-Fresh™ licenses to its partner in China.
- May 8, 2003 – The Company announced that its subsidiary Now Prepay Corp. sold 100 Now Prepay POS terminal client licenses to an Ontario based company.
- April 28, 2003 – The Company announced that Tangarine Concepts Corporation had successfully launched its Now Prepay equipped terminals into service and has ordered an additional 100 client licenses.

- April 17, 2003 – The Company announced that its customer, Wireless Products Marketing Inc., successfully launched their e-Fresh™ System into service and had purchased an additional 100 e-Fresh™ client terminal licenses.

- April 10, 2003 – The Company announced that it sold an e-Fresh™ software suite of licenses and terminal client licenses to Nexus Gulf Telecom Equipment LLC of the United Arab Emirates.

- April 3, 2003 - The Company's subsidiary Now Prepay Corp. announced it had entered into a Memorandum of Understanding ("MOU") with Collective Logic Inc. whereby Collective will market the e-Fresh™ POS terminal software to its existing terminal base and to new terminals deployed.

- March 31, 2003 – The Company released a summary of its business activities in China to date.

- March 24, 2003 – The Company's subsidiary Now Prepay Corp. announced that it sold 432 POS terminal e-Fresh™ licenses to four new channel partners.

- March 20, 2003 – The Company announced a record $2,207,833 in revenues for the three months ended January 31, 2003.

- March 20, 2003 - The Company announced its subsidiary Now Prepay Corp. entered into an agreement with Datawest Solutions Inc., to provide a new value-added product via POS terminals.

- March 18, 2003 – The Company announced its subsidiary Now Prepay Corp. received an order for 100 POS terminals and licenses from Go Prepaid Inc.

- March 14, 2003 – The Company announced the sale of an e-Fresh™ software suite of licenses and terminal client licenses to Wireless Products Marketing Inc. ("WPM") based in Bloomington, Minnesota U.S.A.

- March 13, 2003 – The Company announced the sale of 100 e-Fresh™ terminal client licenses to Tangarine Concepts Corporation ("Tangarine") of St. Catharines, Ontario.

- March 6, 2003 – The Company announced that its subsidiary Now Prepay Corp. entered into a partnership with Terminal Management Concepts Ltd.

- March 4, 2003 – The Company announced that its subsidiary Now Prepay Corp. reached distribution agreements with the following providers:
  - Bell Prepaid Mobility (formerly Bell Solo)
  - Telus Pay & Talk
  - Rogers AT&T Wireless Pay as You Go
  - Fido Prepaid
  - Telus Talk and Surf (Internet, Prepaid LD, Prepaid Voice Mail)

  The Company also announced that Now Prepay had developed its own "clean" prepaid long distance card.

- February 20, 2003 - The Company announced that it had added inventory tracking through the addition of UPC bar codes to their customer's prepaid telecom product offerings.

- February 13, 2003 - The Company announced that its subsidiary Now Prepay Corp. entered into an agreement with Go Prepaid Inc. to distribute prepaid cellular and long distance airtime.

- February 11, 2003 - The Company announced the launch of its "nowprepay.com" website and provided an updated to shareholders about the "Now Prepay" mission.

- February 7, 2003 - The Company announced results for the year ended October 31, 2002.

- February 5, 2003 - The Company provided an update to shareholders about some of the recent changes and accomplishments within the Company.

- On January 22, 2003 the Company announced that it had appointed Weiguo Lang and Sherri MacDonald to its Board of Directors.

- On January 17, 2003 the Company announced that it has entered into an agreement with HMS Consulting ("HMS") of Delta, BC to provide investor relations and corporate communications services.
- On December 6, 2002 the Company announced that it had completed the private placement announced on November 26, 2002.
- On November 26, 2002 the Company announced a non-brokered private placement consisting of 1,000,000 units at a price of 12 cents per unit, for gross proceeds of $120,000.
- On November 14, 2002 the Company announced a re-evaluation of and changes to its Board of Directors.
- On November 6, 2002 the Company announced that it had closed, on October 30, 2002, the third and final tranche of its non-brokered private placement for gross proceeds of $109,200.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Financial Statements

Note: the consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Now Prepay Corp., VendTek Systems Technologies (Beijing) Co. Ltd., and VendTek Industries Inc., which owns VendTek International Inc. (a U.S. company) which is inactive.

Results of Operations for the nine months ended July 31, 2003 ("2003") compared to the nine months ended July 31, 2002 ("2002")

Revenues rose 662% in the nine months ended July 31, 2003 to $7,948,000 compared to $1,042,000 for 2002. The 2003 revenues are comprised of prepaid PIN revenue of $7,306,000 (2002 - $218,000), license and engineering revenues of $253,000 (2002 - $109,000), and systems and parts sales of $294,000 (2002 - $715,000).

Consistent with first and second quarter results, the substantial rise in revenues is attributed primarily to the launch and growth of the Company's subsidiary Now Prepay Corp. The wholesale portion of Now Prepay's prepaid cellular business provides meaningful revenues augmented by the continued installation of POS terminals across Canada for the sale of virtual prepaid telecommunications vouchers. A 132% ($144,000) increase in the Company's engineering and software licence revenues in 2003 over 2002 offset by a 59% decrease in systems and parts sales is indicative of the ongoing successful transition of the Company from a hardware manufacturer to a software engineering and licensing focus.

The consolidated gross profit for 2003 was 5% or $407,000 reflecting mostly the transaction based margin from the Now Prepay revenues. Higher revenues generated by Now Prepay resulted in gross profits that exceeded the 2002 $391,000 gross profit generated at a 38% margin and derived from low volume legacy product sales. The increase in gross profit is an indication of the continued successful transition of the Company's core focus away from manufacturing.

General and administration ("G&A") expenses decreased $46,000 (-7%) to $644,000 in 2003 compared to $690,000 in 2002 as a result of managements ongoing effort to reduce operating costs. In 2003 accounting, legal and regulatory fees increased $22,000 (37%) due to the Company's policy of monthly accrual of funds for potential legal fees. This accrual of potential legal fees has been discontinued. Investor relations increased $3,100 (19%), as external services were employed in 2003; travel and promotion decreased $12,000 (-71%), as the Company corrected the allocation of appropriate travel expenses from G&A to Sales and Product Development; interest on long-term debt decreased $10,000 (-22%) with the pay out of a lease; office and rent increased $17,000 (9%) reflecting the new China office set-up and Now Prepay operational overhead; salaries decreased $37,000 (-14%) reflective of reduced salary expense.

Product development group expenses ("PDG") decreased $16,000 (-5%) to $291,000 in 2003 compared to $307,000 in 2002. Product development group expenses for Q3 3 months ended July 31, 2003 decreased $40,000 (-31%) when compared to Q2 3mo2003. This decrease is due to the Company correcting the allocation of appropriate expenses from G&A to Product Development, combined with an increased use of contract engineering in the second quarter 2003.

Selling and marketing expenses increased $45,000 (26%) to $216,000 in 2003 compared to $171,000 in 2002 Selling and marketing expenses for Q3 3 months ended July 31, 2003 increased $64,000 (114%) when compared to Q2 3mo2003. These increases are due to the Company correcting the allocation of appropriate expenses from G&A to Sales and ongoing business travel. Installation of e-Fresh™ software in two new foreign markets (USA, UAE, Tianjin and Guangdong) further contributed to increased sales expense.

Net earnings for 2003 improved by 4% ($32,000) an increase of $0.03 per share when compared with the 2002 results. The net loss per share improved to $-0.03 in 2003 from $-0.06 in 2002. The improvement in net earnings (or reduction of net loss) for 2003 compared to 2002 is a result of increased revenues and reduced expenses. A 662% increase in revenues for 2003 driven by the Now Prepay sales resulted in an improvement in gross profits compared to 2002, which is reflective of the Company's transition changing business strategy and focus on e-fresh™ software products.

Liquidity and Capital Resources

Historically, the Company has financed its operations mainly through the sale of equity securities and also 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, related party debt, and cash flow from its operating activities including customer deposits and supplier credit.

Operating Activities

The Company's operating activities used cash of $255,000 in 2003; a 64% decrease compared to 2003 ($699,000). This use of cash is comprised of a net loss of $746,000 offset by the net change in non-cash working capital items of $439,000 and add-backs of amortization.

Financing Activities
There were no financing activities during the quarter.

As at July 31, 2003, the Company had working capital of $190,000, including cash and equivalents.

Investing Activities

Net cash used for investing activities was $47,000 comprised of tangible capital purchases, domain names and patent costs.

Investor Relations

The Company maintains its own program of investor communications, including web site, direct broker and investor contact and distribution of news through a national news wire service. On January 17, 2003 the Company announced that it has entered into an agreement with HMS Consulting ("HMS") of Delta, BC to provide investor relations and corporate communications services. Compensation for the services is on a month by month contract for $2,000 per month. Total Investor relations services for the first nine months total $19,000.

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