

FORM 51-901F

Quarterly Report

Incorporated as part of:

Schedule A
 Schedules B & C

ISSUER DETAILS:

NAME OF ISSUER: Versatile Mobile Systems (Canada) Inc.

ISSUER ADDRESS: #1601 – 750 W. Pender Street, Vancouver, B.C. V6C 2T8

ISSUER PHONE NUMBER: (604) 683-2915

ISSUER FAX NUMBER: (604) 683-2965

ISSUER WEB SITE ADDRESS: www.versatilemobile.com

CONTACT PERSON: Fraser Atkinson

CONTACT EMAIL ADDRESS: fatkinson@versatilemobile.com

CONTACT'S POSITION: Chief Financial Officer

CONTACT TELEPHONE NUMBER: (604) 683-2915

FOR QUARTER ENDED: September 30, 2003

DATE OF REPORT: October 14, 2003

CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

John Hardy "John Hardy" 2003/10/14
NAME OF DIRECTOR DATE SIGNED (YY/MM/DD)

Robert Polychron "Robert Polychron" 2003/10/14
NAME OF DIRECTOR DATE SIGNED (YY/MM/DD)

Versatile Mobile Systems (Canada) Inc.
Consolidated Financial Statements
September 30, 2003
(Unaudited - Prepared by Management)

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Versatile Mobile Systems (Canada) Inc.
Consolidated Balance Sheets

	<u>September 30, 2003</u> <u>(unaudited)</u>	<u>June 30, 2003</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 831,909	\$ 1,152,287
Accounts receivable	2,094,526	1,440,340
Prepaid expenses	63,521	64,876
Inventory	1,190,596	1,094,694
	<u>4,180,552</u>	<u>3,752,197</u>
Capital Assets		
Intangible assets	276,024	276,541
Goodwill	175,225	204,066
	<u>3,644,508</u>	<u>3,644,508</u>
	<u>8,276,309</u>	<u>7,877,312</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,640,241	\$ 2,322,171
Deferred revenue	206,437	255,772
Current portion of capital lease obligations	16,013	16,663
	<u>2,862,691</u>	<u>2,594,606</u>
Capital Lease Obligations	<u>27,626</u>	<u>30,016</u>
	<u>2,890,317</u>	<u>2,624,622</u>
SHAREHOLDERS' EQUITY		
Share capital	55,824,954	55,824,954
Contributed surplus	2,154,762	2,154,762
Deficit	(52,294,283)	(52,438,247)
Foreign currency translation adjustment	(299,441)	(288,779)
	<u>5,385,992</u>	<u>5,252,690</u>
	<u>8,276,309</u>	<u>7,877,312</u>

APPROVED BY THE DIRECTORS:

DIRECTOR:

"John Hardy"

DIRECTOR:

"Robert Polychron"

See Notes to Consolidated Financial Statements

Versatile Mobile Systems (Canada) Inc.
Consolidated Statements of Operations and Deficit
(Unaudited - Prepared by Management)

	Three months ended September 30	
	<u>2003</u>	<u>2002</u>
SALES	\$ 5,225,720	\$ 4,728,946
COST OF SALES	<u>3,404,280</u>	3,134,699
	<u>1,821,440</u>	1,594,247
EXPENSES		
General and administrative	718,010	790,933
Research and development	243,790	822,209
Selling and marketing	635,663	712,644
Foreign Exchange (gain) loss	(6,015)	(89,455)
Amortization of capital assets	48,106	74,639
Amortization of intangible assets	37,922	64,869
	<u>1,677,476</u>	2,375,839
NET EARNINGS (LOSS) FOR THE PERIOD	143,964	(781,592)
DEFICIT, BEGINNING OF PERIOD	(52,438,247)	(49,698,494)
DEFICIT, END OF PERIOD	<u>(52,294,283)</u>	(50,480,086)
NET EARNINGS (LOSS) PER SHARE:		
Basic and diluted	<u>0.00</u>	(0.01)

See Notes to Consolidated Financial Statements

Versatile Mobile Systems (Canada) Inc.
Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)

	Three months ended September 30	
	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net earnings (loss) for the period	\$ 143,964	\$ (781,592)
Items not affecting cash		
Amortization of capital assets	48,106	74,639
Amortization of intangible assets	37,922	64,869
Deferred lease restructuring costs	-	(34,635)
Unrealized foreign exchange gain	(10,662)	170,043
Other	(5,637)	(488)
	<u>213,693</u>	<u>(507,164)</u>
Net change in non-cash working capital items	<u>(480,648)</u>	<u>(491,762)</u>
	<u>(266,955)</u>	<u>(998,926)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	<u>(51,033)</u>	<u>(14,928)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Capital lease obligations	<u>(2,390)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH and cash equivalents	<u>(320,378)</u>	<u>(1,013,854)</u>
CASH and cash equivalents, beginning of period	1,152,287	3,009,960
CASH and cash equivalents, end of period	<u>831,909</u>	<u>1,996,106</u>
Cash paid for interest expense	2,055	1,658
Cash paid for income taxes	-	-

See Notes to Consolidated Financial Statements

Versatile Mobile Systems (Canada) Inc.
Notes to Consolidated Financial Statements
(Unaudited - Prepared by Management)

1. Consolidated financial statement presentation:

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report for the year ended June 30, 2003.

2. Comparative figures

Certain reclassifications have been made to prior periods to conform to the current presentation.

3. Changes in accounting policies:

The accounting policies applied in these interim financial statements are consistent with those applied in the Annual Report, except with respect to the change in accounting policies described below.

(a) Intangible assets

Intangible assets acquired individually or with a group of assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful life relate to acquired software licenses and are amortized over their estimated useful life. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

The company during the period reviewed the estimated useful lives of the intangible assets. After the review, the Company increased the estimated useful lives of its intangible assets from three years to four years.

4. Stock Options

On August 20, 2003, the Company granted employee incentive stock options to acquire a total of 275,000 common shares of the Company exercisable for a period of 4 years at a price of \$ 0.11 per share.