

Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

VENZEE TECHNOLOGIES INC.

For the three and nine months ended September 30, 2018 (unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Venzee Technologies Inc. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(expressed in U.S. dollars - unaudited)

	Note	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2018	2017	2018	2017
Revenues	5	\$ 74,202	\$ 42,492	\$ 147,956	\$ 122,648
Cost of revenues		88,657	66,284	\$ 247,681	160,106
		(14,455)	(23,792)	(99,725)	(37,458)
Expenses	6				
Selling and marketing		401,791	212,511	1,143,335	291,931
General and administrative		702,369	783,382	2,007,601	1,093,289
Research and development		258,695	211,582	700,407	442,542
Amortization		8,797	-	14,672	
Interest expense	8, 9	-	3,744	1,718	40,696
		(1,371,652)	(1,211,219)	(3,867,733)	(1,868,458)
Other Income					
Gain on settlement of note			21,750		21,750
Net loss for the period		\$ (1,386,107)	\$ (1,213,261)	\$ (3,967,458)	\$ (1,884,166)
Translation adjustment		-	-		
Total loss and comprehensive loss		(1,386,107)	(1,213,261)	(3,967,458)	(1,884,166)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.08)	\$ (0.06)	\$ (0.16)
Weighted average number of common shares					
outstanding - basic and diluted		62,300,746	16,101,262	62,300,746	11,913,713

The accompanying notes form an integral part of these condensed consolidated interim financial statements

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Condensed Consolidated Interim Statements of Financial Position
(expressed in U.S. dollars - unaudited)

	Note	As at September 30, 2018 2018	As at December 31, 2017
ASSETS			
Current assets			
Cash		\$ 1,101,905	\$ 5,368,041
Accounts receivable		\$ 39,719	93,933
Prepays		\$ 88,051	28,303
Total current assets		1,229,675	5,490,277
Equipment	7	93,346	—
Total assets		<u>\$ 1,323,021</u>	<u>\$ 5,490,277</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		167,094	\$ 666,078
Deferred revenue		58,336	19,868
Loans payable	9	50,000	90,000
Total liabilities		275,430	775,946
Shareholders' equity (deficiency)			
Share capital	10	10,531,442	10,531,442
Reserves	11	1,180,989	736,069
Accumulated other comprehensive income (loss)		(40,975)	103,225
Deficit		(10,623,865)	(6,656,405)
Total shareholders' equity (deficiency)		1,047,591	4,714,331
Total liabilities and shareholders' equity (deficiency)		<u>\$ 1,323,021</u>	<u>\$ 5,490,277</u>

Nature and continuance of operations (note 1)

Commitments (note 20)

Approved and authorized for issue on behalf of the Board on November 16, 2018.

(Signed) *"Daniel Jeffries"*,

Director & Chairman of the Board

(Signed) *"Michael Clark"*,

Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(expressed in U.S. dollars - unaudited)

For the three and nine months ended September 30, 2018 and 2017:

	<u>Share Capital</u>			Accumulated other comprehensive income (loss)	Deficit	Total
	Number	Amount	Reserves			
Balance – December 31, 2016	<u>22,676,356</u>	<u>\$ 250,988</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,059,938)</u>	<u>\$ (1,808,950)</u>
Issuance of common shares	109,816	60,000	—	—	—	60,000
Shares subscribed		722,630				722,630
Repurchase of common shares from equity incentive plan	(438,033)	(45)	—	—	—	(45)
Share-based compensation			9,676			
Net loss for the period	—	—	—	—	(1,884,166)	(1,884,166)
Balance – June 30, 2017	<u>22,348,139</u>	<u>\$ 1,033,573</u>	<u>\$ 9,676</u>	<u>\$ —</u>	<u>\$ (3,944,104)</u>	<u>\$ (2,910,531)</u>
Balance – December 31, 2017	<u>62,300,746</u>	<u>\$10,531,442</u>	<u>\$ 736,069</u>	<u>\$ 103,225</u>	<u>\$ (6,656,405)</u>	<u>\$ 4,714,331</u>
Share-based compensation	—	—	444,920	—	—	444,920
Translation adjustment	—	—	—	(144,200)	—	(144,200)
Net loss for the period	—	—	—	—	(3,967,460)	(3,967,460)
Balance – September 30, 2018	<u>62,300,746</u>	<u>\$10,531,442</u>	<u>\$ 1,180,989</u>	<u>\$ (40,975)</u>	<u>\$ (10,623,865)</u>	<u>\$ 1,047,591</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Condensed Consolidated Interim Statements of Cash Flows
(expressed in U.S. dollars - unaudited)

	For the Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities		
Net loss for the period	\$ (3,967,458)	\$ (1,884,166)
Interest expense	1,718	40,696
Amortization	14,672	
Share-based compensation	444,920	446,827
Gain on settlement of notice		(21,750)
Changes in non-cash operating elements of working capital		
Accounts receivable	54,030	(25,934)
Prepays	(59,747)	(50,800)
Accounts payable and accrued liabilities	(485,891)	87,416
Deferred revenue	38,467	5,334
Net cash used in operating activities	(3,959,289)	(1,402,377)
Cash flows from financing activities		
Interest paid on loans payable	(1,718)	(3,445)
Repayment of loans payable	(40,000)	—
Repayment of convertible promissory notes		(75,000)
Proceeds from loans payable	—	90,000
Proceeds from issuance of common shares	—	60,000
Proceeds from private placement		1,873,373
Transaction costs in connection with private placement		(166,265)
Shares subscribed		—
Repurchase of common shares	—	(45)
Net cash provided by financing activities	(41,718)	1,778,618
Cash flows from investing activities		
Purchase of property and equipment	(108,019)	—
Net cash provided by investing activities	(108,019)	—
Effect of foreign exchange on cash	(157,110)	—
Change in cash during the period	(4,266,136)	376,241
Cash – beginning of year	5,368,041	60,674
Cash – end of period	\$ 1,101,905	\$ 436,915

The accompanying notes form an integral part of these condensed consolidated interim financial statements

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018
(expressed in U.S. dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Venzee Technologies Inc. (formerly Gold Finder Explorations Ltd.) (the “Company” or “Venzee”) develops and markets a cloud-based platform that suppliers and manufactures from multiple industries use to share their product information and inventory updates, in real-time, with their retailers. The Company’s shares are listed on the TSX Venture Exchange under the symbol “VENZ”. The Company was incorporated under the laws of the province of British Columbia, Canada and its registered office is located at 170-422 Richards Street, Vancouver, British Columbia, Canada.

Venzee Inc. was incorporated in Delaware U.S.A. on April 21, 2014. On December 21, 2017, the Company acquired all of the issued and outstanding shares of Venzee Inc. (the “Acquisition”) pursuant to an agreement and plan of merger dated November 6, 2017 between the Company, a wholly-owned subsidiary of the Company named Gold Finder Subco Inc., and Venzee Inc. (the “Merger Agreement”) and the transactions contemplated thereunder. The Acquisition constituted a reverse takeover (“RTO” or “Transaction”) (note 4). Upon completion of the Acquisition, the Company changed its name from Gold Finder Explorations Ltd. to Venzee Technologies Inc. and the board of directors of the Company was reconstituted. For simplicity, transactions undertaken by Venzee Inc. prior to the closing of the RTO are referred to as being undertaken by the Company in these condensed consolidated interim financial statements.

As a requirement for closing the RTO, the Company consolidated its issued and outstanding common shares on the basis of 1 post-consolidated common share for every 2 pre-consolidated common shares and Venzee Inc. completed a stock split of its issued and outstanding common shares on a basis of 2.25 post-split common shares for 1 pre-split common share. The consolidation and the share split are reflected retrospectively to current years in these financial statements.

These condensed consolidated interim financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and expects to incur further losses in the development of its business. At June 30, 2018, the Company had a working capital of \$2,128,674, had not yet achieved profitable operations and has an accumulated deficit of \$9,237,756 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, are presented in note 3 of the annual consolidated financial statements and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 28, 2018.

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018
(expressed in U.S. dollars - unaudited)

2. BASIS OF PREPARATION (continued)

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements are presented in U.S. dollars (“USD”). The functional currency of the Company and its 100% owned Canadian subsidiary is the Canadian Dollar (“CAD” or “CAD \$”). The functional currency of the

Company’s 100% owned U.S. subsidiary is the USD. Unless otherwise indicated, all dollar (“\$”) and “USD” amounts and references in these condensed consolidated interim financial statements are in and to U.S. dollars, and references to “CAD” or “CAD \$” are to Canadian dollars.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned U.S. subsidiary Venzee Inc. The Company consolidates subsidiaries where the Company has the ability to exercise control. Control is achieved when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors or through the exercise of de facto control. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies in these condensed consolidated interim financial statements are the same as those applied in the Company’s consolidated financial statements as at and for the year ended December 31, 2017.

The changes in accounting policies are also expected to be reflected in the Company’s consolidated financial statements as at and for the year ending December 31, 2018.

The Company has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The effect of initially applying these standards did not have a material impact on the Company’s financial statements. A number of other new standards are also effective from January 1, 2018 but they also did not have a material impact on the Company’s financial statements.

IFRS 9, Financial Instruments

The IASB issued IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e., its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also amends the impairment model by introducing a new expected credit losses model for calculating impairment on its financial assets and commitments to extend credit. The standard also introduces additional changes relating to financial liabilities. IFRS 9 also includes a new hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Extended disclosures about risk management activity for those applying hedge accounting will also be required under the new standard.

The adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
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(expressed in U.S. dollars - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Company's financial assets which consist primarily of cash and cash equivalents, trade and other receivables, and contract assets are classified at amortized cost.

IFRS 15, Revenues from Contracts with Customers

The Financial Accounting Standards Board and IASB have issued converged standards on revenue recognition. This new IFRS 15 affects any entity using IFRS that either enters into contracts with customers, unless those contracts are within the scope of other standards such as insurance contracts, financial instruments or lease contracts. This IFRS supersedes the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company's revenue is derived from subscription fees for cloud-based software. Subscription revenue is primarily derived from subscription contracts for defined periods, and may in the future also be derived from maintenance contracts. The software is delivered through the cloud from the Company's third party hosting facilities. Therefore, these arrangements are treated as service agreements and revenue is recognized pro-rata over the contract term. Subscription fees are recognized monthly over the term of the arrangement. Additionally, if an agreement contains non-standard acceptance or requires non-standard performance criteria to be met, revenues are deferred until the satisfaction of these conditions.

The amended standard was adopted on January 1, 2018 and did not have an impact on the condensed consolidated interim financial statements.

IAS 16 – Property, plant and equipment

During the period ended March 31, 2018, the Company adopted a significant accounting policy for equipment in accordance with IAS 16 – Property, plant and equipment.

Under the Company's policy, equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the straight line method over the estimated useful lives of the individual assets. The significant classes of equipment and their useful lives are as follows:

- Furniture and fixtures – 3 years
- Software – 3 years

An item of equipment is derecognized upon disposal, when held for sale, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018
(expressed in U.S. dollars - unaudited)

4. TRANSACTION

On December 21, 2017, the Company completed the acquisition of Venzee Inc. by way of a RTO transaction.

In connection with the RTO, the following key transactions occurred:

- Prior to the closing of the RTO, Venzee Inc. completed a stock split of its issued and outstanding common shares on a basis of 2.25 post-RTO common shares for 1 pre-RTO common share (the “Venzee Share Split”).
- Prior to closing the RTO, the Company consolidated its issued and outstanding common shares on the basis of 1 post-Share consolidated common share for every 2 pre-consolidated common shares (the “Share Consolidation”).
- Prior to the closing of the RTO, the Company issued 2,000,000 post-Share Consolidated common shares following the exercise of 2,000,000 post-Share Consolidated warrants at a post-Share Consolidated price of CAD\$0.20 per common share.
- The Company completed a private placement of 11,000,000 subscription receipts at a price of CAD\$0.50 per subscription receipt, for aggregate gross proceeds proceeds of \$4,289,577 (CAD \$5,500,000). Each subscription receipt was exchangeable at closing of the RTO for one post-Share consolidation common share of the Company and one half of one Company common share purchase warrant (post-consolidation) having an exercise price of \$0.75 per common share.
- In connection with the closing of the RTO, the Company completed on December 21, 2017 a private placement of common shares issued at a price of CAD\$0.50 per common share for gross proceeds to the Company of \$1,559,845 (CAD \$2,000,000) pursuant to a short form offering document.
- Agents involved in the financings received warrants entitling them to acquire an aggregate of 1,050,000 common shares of the Company at a price of CAD\$0.50 per common share.
- As a result of the Acquisition, the Company acquired all of the issued and outstanding shares of Venzee Inc. and ultimately issued to shareholders of Venzee Inc. an aggregate of 42,040,847 common shares. All outstanding Venzee Inc. stock options were cancelled and exchanged for stock options of the Company with comparable terms.

As a result of the Acquisition, Venzee Inc. controls the Company and is considered to have acquired the Company. The Company did not meet the definition of a business pursuant to IFRS 3 – *Business Combinations*, and the Acquisition was accounted for as the purchase of the Company's net assets by Venzee Inc. The net purchase price was determined as an equity settled share-based payment, under IFRS 2, *Share-based Payments*, at the fair value of the equity instruments of the Company retained by the shareholders of the Company, based on the market value of the Company's common shares on the date of closing of the RTO.

The aggregate of the fair value of the consideration paid less the net assets acquired has been recognized as a listing expense in the statements of loss and comprehensive loss. These consolidated financial statements reflect the assets, liabilities and operations of Venzee Inc. since its incorporation and of the Company from December 21, 2017.

The fair value of the consideration paid and the net assets (liabilities) of the Company as at the date of the Acquisition was as follows:

Purchase price - consideration paid

5,259,899 common shares	\$	2,065,297
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Net assets acquired

Cash		195,482
Accounts receivable and other receivables		201,540
Accounts payable and accrued liabilities		(51,842)
	\$	345,180

Listing expense

	\$	1,720,117
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VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018
(expressed in U.S. dollars - unaudited)

5. SEGMENTED INFORMATION

The Company operates in one operating segment, being a cloud-based platform solution targeted to online retailers and vendors. This segment engages in business activities from which it earns license revenues and incurs expenses.

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

Geographic Area	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Mexico	\$ —	\$ 23,684	\$ —	\$ 65,080
United States	74,202	17,140	147,790	54,412
Other	-	1,668	166	3,156
	<u>\$ 74,202</u>	<u>\$ 42,492</u>	<u>\$ 147,956</u>	<u>\$ 122,648</u>

6. EXPENSES CLASSIFIED BY NATURE

The following table shows the breakdown of expenses by nature for each function on the condensed consolidated interim statements of loss and comprehensive loss:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Employees and contractors	\$ 909,038	\$ 546,590	\$ 2,407,594	\$ 984,768
Amortization	8,797	-	14,672	-
Interest expense (note 9, 10)	-	3,744	1,718	40,696
Software and support tools	49,631	17,073	114,524	39,661
Legal and professional fees	168,683	60,745	506,153	142,002
Administration	56,855	19,638	175,751	56,954
Share-based compensation (note 12)	149,741	437,151	444,920	446,827
Travel and entertainment	16,438	38,582	108,546	62,918
Advertising, promotion and marketing	12,471	87,696	93,857	94,632
	<u>\$ 1,371,653</u>	<u>\$ 1,211,219</u>	<u>\$ 3,867,734</u>	<u>\$ 1,868,458</u>

7. EQUIPMENT

	Furniture and Fixtures	Software	Total
Net carrying amount – December 31, 2017 and 2016	\$ —	\$ —	-
Additions	57,590	50,429	108,019
Depreciation	(7,668)	(7,004)	(14,672)
Net carrying amount – September 30, 2018	<u>\$ 49,921</u>	<u>\$ 43,425</u>	<u>\$ 93,346</u>

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018
(expressed in U.S. dollars - unaudited)

8. CONVERTIBLE PROMISSORY NOTES

The following table summarizes the liabilities of the Company under its convertible promissory notes

	Notes A	Notes B	Notes C	Notes D	Notes E	Notes F	Notes G	Total
Balance - December 31, 2016	466,207	54,238	735,381	235,810	206,230	94,934	40,000	1,832,800
Interest	3,053	1,606	18,621	5,274	6,881	1,816	—	37,251
Converted to equity	(469,260)	(44,721)	(754,002)	(241,084)	(213,111)	—	(40,000)	(1,762,178)
Settlement of note	—	(11,123)	—	—	—	(96,750)	—	(107,873)
Balance - December 31, 2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

From May 2014 to August 2016, the Company issued convertible promissory notes (the “Notes”) to finance its operations. The Notes had a term of twenty-four months and incurred interest at rates between 4% and 8% per annum. Terms and conditions of the Notes provided that the outstanding principal and accrued interest automatically converted into common shares of the Company upon the occurrence of certain events, as follows:

- upon the successful completion by the Company of an equity financing with gross proceeds exceeding \$1,000,000 (“QEF”) the outstanding principal and accrued interest would be automatically converted based on a conversion price equal to (i) the price per share at which the common shares were purchased for in the QEF less a discount rate ranging from 5% to 20%, (ii) in the case of certain notes, if the conversion prices calculated in (i) was higher than the maximum conversion price indicated in the Note (the “Maximum Conversion Price”), the conversion price would be the Maximum Conversion Price. The Maximum Conversion Price was calculated as the amount indicated in the Note (ranging between \$7,500,000 to \$10,000,000) divided by the aggregate number of outstanding common shares of the Company on a fully diluted basis immediately prior to the conversion of the Notes (the fully diluted number of outstanding common shares being calculated without giving effect to the conversion of the Notes or any other indebtedness that converts in connection with the QEF).
- if the note was converted earlier in accordance’s with the terms of the Note, the outstanding principal amount and accrued interest would be automatically converted on the Note’s maturity date, based on the Maximum Conversion Price.

If the Company incurred a change of control at any time while the Notes were outstanding, the Company would provide the note holders with 10 days’ notice prior to the change in control, and would pay the note holders, in cash, the amount equal to the greater of:

- the outstanding principal amount plus accrued unpaid interest; and
- the amount the note holders would have received had the Notes been converted into common shares at the maturity date.

Since the conversion feature on the Notes did not meet the ‘fixed for fixed’ conversion criteria, the Notes were considered to have embedded derivatives. The Notes were collectively hybrid instruments for which the debt component should be represented separately. The difference between the fair value of the derivative and the face value of the debt is allocated to the Notes. Upon initial recognition of the Notes, the fair value of the derivative was determined to be immeasurable and was determined to have a fair value of \$nil.

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8. CONVERTIBLE PROMISSORY NOTES (continued)

Notes A-F were subject to the terms described above, except as follows:

- Notes A - Incur interest at a rate of 4% per annum and the Maximum Conversion Price is calculated based on an amount of \$7,500,000.
- Notes B – Incur interest at a rate of 4% per annum and the Maximum Conversion Price is calculated based on an amount of \$7,500,000. These Notes were not subject to automatic conversion on the maturity date.
- Notes C –Incur interest at a rate of 8% per annum and the Maximum Conversion Price is calculated based on an amount of \$7,500,000.
- Notes D –Incur interest at a rate of 4% per annum and the Maximum Conversion Price is calculated based on an amount of \$10,000,000.
- Notes E - Incur interest at a rate of 6% per annum and the Maximum Conversion Price is calculated based on an amount of \$10,000,000.
- Note F – On January 18, 2016, the Company entered into an agreement with Salsita Inc. to convert \$91,446 outstanding in accounts payable into convertible debt. The Note incurred interest at a rate of 4% per annum and the Maximum Conversion Price was calculated based on an amount of \$10,000,000.
- Notes G – On May 27, 2014, the Company issued convertible promissory notes to two accelerator companies instrumental to the startup of the Company. These Notes did not bear interest and would convert upon the successful completion of an equity financing with gross proceeds exceeding \$350,000. The terms of these Notes provided they would convert into a number of common shares of the Company equal to 5% of the number of outstanding common shares of the Company on a fully-diluted basis immediately prior to the closing of the equity financing.

On August 1, 2017, the Company reached an agreement with Salsita Inc., holder of the Note F referred to above to settle the outstanding balance of the note for cash consideration of \$75,000. The settlement was completed by Venzee Inc. as follows: (i) \$35,000 paid on August 1, 2017, and (ii) \$40,000 paid on August 30, 2017. The Company recognized a gain on the settlement of the note of \$21,750.

On August 28, 2017, the Company closed an equity financing of \$1,873,373 (CAD \$2,425,000) which triggered the automatic conversion of all outstanding Notes. Certain holders of Notes B elected to have the Notes settled for cash, amounting to a cash settlement of \$11,123. The remaining Notes with carrying amounts totaling \$1,762,178 were converted in accordance with their terms into an aggregate of 10,560,047 common shares of the Company prior to the completion of the RTO. As of March 31, 2017, the Company incurred interest expense of \$28,674.

9. LOANS PAYABLE

On April 1, 2017 and May 1, 2017, the Company entered into loan agreements whereby the Company agrees to repay to the lenders, the sums of \$40,000 and \$50,000 respectively. The loans accrue interest at a rate of 8 percent per annum. Monthly interest payments of \$266 and \$333 respectively are due on the last day of each calendar month and the principal amounts are due on demand. The Company reserves the right to repay all or part of the principal at any time, provided that 60 days notice is given to the lender. In the event that the principal is repaid before the expiration of the notice term, interest equal to the days remaining in the notice period shall be paid to the lender. As of June 30, 2018, the Company incurred and paid interest expense of \$1,718 (2017 – \$nil). During the period ended June 30, 2018, the Company repaid \$40,000 to settle the full principal balance with one of the lenders.

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10. SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares, with no par value.

During the six month period ended June 30, 2018, there were nil transactions affecting share capital.

During the six month period ended June 30, 2017:

- The Company completed an equity financing that began in late 2016 whereby the Company issued 109,816 common shares to third party investors for total gross proceeds of \$60,000.
- The Company repurchased 438,033 restricted common shares originally issued through its equity incentive plan. The original fair value of \$45 was reversed.

In connection with the RTO, 13,838,544 common shares were placed into escrow with 10% released on the day of the public listing and 15 % released every six months thereafter. At June 30, 2018, a total of 12,454,690 shares were held in escrow (December 31, 2017 – 13,838,544).

Restricted Share Purchase Plan

Prior to the Transaction, the Company had a restricted share purchase plan whereby the Company issued restricted common shares to contractors or consultants for services provided. The restricted common shares were held in escrow with 25% of the initial number of issued shares released one year from issuance and the remaining shares released in equal monthly installments over the following thirty-six months. The Company had the right to repurchase all or any portion of the restricted common shares during the escrow period. As at June 30, 2018, there were nil (December 31, 2017 – nil) unvested restricted common shares held in escrow.

Equity Incentive Plan

Prior to the Transaction, the Company had an equity incentive plan whereby the Company issued common shares to contractors or consultants for services provided. The restricted common shares are held in escrow with 25% of the initial number of issued shares released one year from issuance and the remaining shares released in equal monthly installments over the following thirty-six months. The Company had the right to repurchase all or any portion of the restricted common shares during the escrow period. As at June 30, 2018 there were nil (December 31, 2017 – nil) unvested restricted common shares held in escrow.

11. RESERVES

Stock Options

The Company has a share option plan (the "Plan") that is administered by the Board of Directors of the Company who establish exercise prices, at not less than the market price at the date of grant, and vesting periods, which to date have been set at four years.

Options under the Plan remain exercisable for ten years from the date of grant for options granted period to the RTO and five years from the dates of grant for options granted post RTO. The maximum number of common shares reserved for issuance for options that may be granted under the Plan as at March 31, 2018 was 6,230,074 (December 31, 2017 – 6,230,074).

Prior to the RTO, the Board of Directors of the Company accelerated 100% of vesting of certain grants issued to officers of the Company.

The shares subject to this option shall vest and become exercisable over a four-year period as follows:

- 25% of the option shall be vested and become exercisable one year following the vesting commencement date indicated in the award agreement subject to the optionee's continuous service during this period;
- thereafter, 1/48th of the options shall vest and become exercisable in equal monthly installments over the next 36 months, subject to the optionee's continuous service during each monthly period.

Certain shares subject to this option shall vest and become exercisable over a two-year period as follows:

- 25% of the option shall be vested and become exercisable six months following the vesting commencement date indicated in the award agreement subject to the optionee's continuous service during this period.

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11. RESERVES (continued)

Stock Options (continued)

During the nine-month period ended September 30, 2018, the Board of Directors of the Company agreed to issue 1,650,500 stock options under the Plan to various directors, contractors, employee, and advisors.

A summary of the Company's stock option transactions during the period is as follows:

	As at September 30, 2018		As at December 31, 2017	
	Number of options	Weighted average exercise price CAD \$	Number of options	Weighted average exercise price CAD \$
Beginning balance	3,444,208	\$ 0.25	—	\$ —
Transactions during the year:			-	-
Granted	1,650,500	1.13	3,747,958	0.25
Cancelled	(439,200)	0.25	(303,750)	0.25
Ending balance	4,655,508	\$ 0.56	3,444,208	\$ 0.25

The following incentive stock options were outstanding as at June 30, 2018:

Number of Options Outstanding	Exercise Price (CAD \$)	Expiry Date	Number of Options Exercisable
438,750	\$ 0.25	June 8, 2027	144,842
19,125	0.25	August 29, 2027	5,179
2,547,133	0.25	September 1, 2027	2,544,600
400,000	0.45	June 22, 2023	-
1,000,000	1.32	January 5, 2023	—
250,500	1.44	January 15, 2023	—
4,655,508	\$ 0.56		2,694,621

The weighted average remaining life of the stock options was 6.40 years.

During the nine months ended September 30, 2018, the Company granted 1,650,500 stock options with a weighted average fair value of \$1.13 per option. As at September 30, 2018, the Company recognized \$444,920 (2017 - \$446,827) as share-based compensation expense. The fair value of the stock options granted during the nine-month period ended September 30, 2018 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2018	2017
Expected volatility	100%	100%
Expected life	3.25 -6.25 years	6.25 years
Expected forfeiture rate	2%	2%
Risk-free interest rate	1.04%-1.84%	1.04%-1.72%
Dividend yield	0	0
Weighted average share price	CAD \$ 0.55	CAD \$ 0.25
Weighted average fair value of options at grant date	CAD \$ 0.36	CAD \$ 0.25

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11. RESERVES (continued)

Warrants

A summary of the Company's warrant transactions during the period is as follows:

	Number of warrants	Weighted average exercise price CAD \$
Balance, December 31, 2016	—	\$ —
Issued	7,135,907	0.67
Balance, December 31, 2017	7,135,907	0.67
Balance, September 30, 2018	7,135,907	\$ 0.67

During the year ended December 31, 2017, the Company granted agents' warrants and share unit warrants in connection with the concurrent financings completed in connection with the RTO as follows:

Number of warrants outstanding	Weighted average exercise price CAD \$	Expiry date
585,907	\$ 0.25	August 28, 2019
5,500,000	\$ 0.75	December 11, 2019
1,050,000	\$ 0.50	December 21, 2019
7,135,907	\$ 0.67	

The weighted average remaining life of the warrants is 1.18 years.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, loans payable and convertible promissory notes approximate their carrying values due to their short-term nature. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to various financial instrument related risks:

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at September 30, 2018, the Company's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	CAD
Cash	1,102,000
Accounts receivable	40,000
Accounts payable and accrued liabilities	(167,000)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CAD:

Currency	10% Strengthening (weakening)
CAD	97,500

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at March 31, 2018, the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2018, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The following table provides information about the terms of the Company's financial obligations and liabilities:

	On Demand
Accounts payable and accrued liabilities	167,094
Loan payable	50,000
Total	217,094

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13. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes certain executive directors, and entities controlled by such persons. The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The compensation of such key management for the three and six-month period ended June 30, 2018 and 2017 included the following:

	For the		For the Nine Months Ended	
	Three Months Ended		September 30,	
	2018	2017	2018	2017
Remuneration paid to the President	\$ 33,562	\$ 58,810	\$ 93,229	\$ 99,160
Remuneration paid to the CEO	44,750	21,008	134,250	29,829
Remuneration paid to CTO	41,000	59,611	123,000	93,211
Remuneration paid to CFO†	42,500	23,900	126,932	23,900
Remuneration paid to co-founder	—	—	—	—
Stock-based compensation - directors and officers	79,824	418,962	275,364	428,638
	<u>\$ 241,636</u>	<u>\$ 582,291</u>	<u>\$ 752,775</u>	<u>\$ 674,738</u>

†During the period ended June 30, 2018, the Company had two CFO's for a time due to a transition period. The amount was also increased due to the payout of accrued vacation for the retiring CFO.

13. COMMITMENTS

During the quarter, the Company entered into an operating lease agreement for office space. The agreement is for 2 years ending March 31, 2020.

	2018	2019	2020
Operating Lease	\$ 27,000	\$ 117,600	\$ 29,400