

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

VENZEE TECHNOLOGIES INC.

For the three and nine months ended September 30, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying condensed interim consolidated 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

The Company’s independent auditor has not performed a review of these condensed interim consolidated 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.

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Condensed Interim Consolidated 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,	
		2019	2018	2019	2018
Revenues	5	\$ 34,598	\$ 74,202	\$ 148,331	\$ 147,956
Cost of revenues		<u>37,251</u>	<u>88,657</u>	<u>162,487</u>	<u>247,681</u>
		(2,653)	(14,455)	(14,156)	(99,725)
Expenses	8				
Selling and marketing		144,065	401,791	547,403	1,143,335
General and administrative		386,248	702,369	1,528,262	2,007,601
Research and development		131,156	258,695	602,087	700,407
Amortization		8,874	8,797	26,630	14,672
Interest expense	8, 9	1,000	-	2,999	1,718
		<u>(671,343)</u>	<u>(1,371,652)</u>	<u>(2,707,381)</u>	<u>(3,867,733)</u>
Net loss for the period		<u>\$ (673,996)</u>	<u>\$ (1,386,107)</u>	<u>\$ (2,721,537)</u>	<u>\$ (3,967,458)</u>
Translation adjustment		(10,607)	65,936	42,137	(144,000)
Total loss and comprehensive loss		<u>\$ (684,603)</u>	<u>\$ (1,320,171)</u>	<u>\$ (2,679,400)</u>	<u>\$ (4,111,458)</u>
Basic and diluted loss per common share		\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.06)
Weighted average number of common shares outstanding - basic and diluted		<u>110,591,201</u>	<u>62,300,746</u>	<u>78,655,071</u>	<u>62,300,746</u>

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

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

	<u>Note</u>	<u>As at September 30,</u> <u>2019</u>	<u>As at December 31,</u> <u>2018</u>
ASSETS			
Current assets			
Cash		\$ 84,011	\$ 1,117,362
Accounts receivable		40,221	34,848
Prepays		54,392	17,493
Total current assets		178,624	1,169,703
Equipment	6	54,784	81,414
Total assets		\$ 233,408	\$ 1,251,117
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		\$ 207,248	\$ 174,916
Deferred revenue		63,121	85,987
Loans payable	9	50,000	50,000
Total liabilities		320,369	310,903
Shareholders' equity (deficiency)			
Share capital	10	12,963,079	11,536,952
Reserves	11	1,571,921	1,345,822
Accumulated other comprehensive loss		(24,292)	(66,429)
Deficit		(14,597,669)	(11,876,131)
Total shareholders' equity (deficiency)		(86,961)	940,214
Total liabilities and shareholders' equity (deficiency)		\$ 233,408	\$ 1,251,117

Nature and continuance of operations (Note 1)

Commitments (Note 15)

Subsequent events (Note 16)

Approved and authorized for issue on behalf of the Board on November 25, 2019.

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

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

	Note	Common Shares Outstanding	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
Balance – December 31, 2017		62,300,746	\$ 10,531,442	\$ 736,069	\$ 103,225	\$ (6,656,405)	\$ 4,714,331
Share-based compensation	11	—	—	444,920	—	—	444,920
Translation adjustment		—	—	—	(144,200)	—	(144,200)
Loss and comprehensive loss for the period		—	—	—	—	(3,967,460)	(3,967,460)
Balance – September 30, 2018		62,300,746	\$ 10,531,442	\$1,180,989	\$ (40,975)	\$ (10,623,865)	\$ 1,047,591
Balance – December 31, 2018		82,333,412	\$ 11,536,952	\$1,345,822	\$ (66,429)	\$ (11,876,131)	\$ 940,214
Share-based compensation	11	—	—	181,092	—	—	181,092
Broker warrants in connection with private placement	10	—	(45,006)	45,006	—	—	—
Issuance of common shares connection with private placement	10	28,257,789	1,500,640	—	—	—	1,500,640
Transaction costs in connection with private placement	10	—	(29,507)	—	—	—	(29,507)
Translation adjustment		—	—	—	42,137	—	42,137
Loss and comprehensive loss for the period		—	—	—	—	(2,721,538)	(2,721,538)
Balance – September 30, 2019		110,591,201	\$ 12,963,079	\$1,571,921	\$ (24,292)	\$ (14,597,669)	\$ (86,961)

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Cash flows from operating activities				
Net loss for the period	\$ (673,996)	\$ (1,386,107)	\$ (2,721,537)	\$ (3,967,458)
Interest expense	1,000	-	2,999	1,718
Amortization	8,874	8,797	26,630	14,672
Share-based compensation	(31,143)	149,741	181,092	444,920
Changes in non-cash operating elements of working capital				
Accounts receivable	1,015	(9,230)	(4,368)	54,030
Prepays	45,945	71,550	(36,418)	(59,747)
Accounts payable and accrued liabilities	44,707	64,021	29,084	(485,891)
Deferred revenue	(16,010)	45,893	(22,866)	38,467
Net cash used in operating activities	(619,608)	(1,055,335)	(2,545,384)	(3,959,289)
Cash flows from financing activities				
Interest paid on loans payable	(1,000)	-	(2,999)	(1,718)
Repayment of loans payable	-	-	-	(40,000)
Proceeds from issuance of common shares	-	-	1,471,134	-
Net cash provided by financing activities	(1,000)	-	1,468,135	(41,718)
Cash flows from investing activities				
Purchase of property and equipment	-	(11,317)	-	(108,019)
Net cash provided by investing activities	-	(11,317)	-	(108,019)
Effect of foreign exchange on cash	(11,326)	55,657	43,898	(157,110)
Change in cash during the period	(631,934)	(1,010,995)	(1,033,351)	(4,266,136)
Cash – beginning of year	715,945	2,112,900	1,117,362	5,368,041
Cash – end of period	\$ 84,011	\$ 1,101,905	\$ 84,011	\$ 1,101,905

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

VENZEE TECHNOLOGIES INC. (formerly Gold Finder Explorations Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and 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 manufacturers 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 Suite 1700 - 1055 West Hastings Street, Vancouver, British Columbia, Canada.

These condensed interim consolidated 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 September 30, 2019, the Company had a working capital deficit of \$141,745, had not yet achieved profitable operations and has an accumulated deficit of \$14,597,669 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. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern.

The condensed interim consolidated 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 interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on November 25, 2019.

Basis of measurement

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

These condensed interim consolidated 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 interim consolidated financial statements are to U.S. dollars, and references to “CAD” are to Canadian dollars.

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2. BASIS OF PREPARATION (continued)

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned U.S. subsidiary Venzee Inc. and its wholly owned Canadian subsidiary Venzee Technologies Canada Inc. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that can have a significant effect on the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates are made; or
- different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

The condensed interim consolidated financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Management uses historical experience, general economic conditions and trends, and assumptions regarding probable future outcomes as the basis for determining estimates.

Estimates and their underlying assumptions are reviewed on a regular basis and the effects of any changes are recognized immediately. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the condensed interim consolidated financial statements and actual results could differ from the estimates and assumptions.

Set forth below are descriptions of items that management believes require its most critical estimates and judgments.

Key sources of estimation uncertainty

Recoverability of receivables

The Company evaluates specific accounts where it has information that a customer may be unable to meet its financial obligations. In these cases, judgment is used based on the best available information to determine actual amounts that will be collected. The Company continually reviews and adjusts such amounts as better information becomes available.

Judgments

Functional currency

The functional currency of the Company and its subsidiaries are the currencies that reflect the economic environment in which the Company and its subsidiaries performs their operations. Functional currencies are re-evaluated if there is a change in events and conditions which determines the primary economic environment.

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2. BASIS OF PREPARATION (continued)

Going concern

The condensed interim consolidated financial statements have been prepared 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 assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as otherwise indicated hereunder, these condensed interim consolidated financial statements have been prepared using the same policies and methods as the consolidated financial statements of the Company for the year ended December 31, 2018. Refer to Note 3 of the Company's consolidated financial statements for the year ended December 31, 2018 for more information on new accounting standards and amendments not yet effective.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

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 are also required under the new standard.

An entity shall apply IFRS 9 retrospectively, with some exemptions, for annual periods beginning on or after January 1, 2018, with early adoption permitted. Due to the nature of the Company's financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018.

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4. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

The following table summarizes the classification changes under IFRS 9 for each financial instrument of the Company:

Financial instrument	Original classification under IAS 39	New classification under IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

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 will supersede 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 new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has determined that adopting IFRS 15 did not have an impact on the Company's consolidated financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 16, Leases

The IASB recently issued IFRS 16 to replace IAS 17 "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

The Company will apply IFRS 16 on its effective date of January 1, 2019 using the modified retrospective approach. The Company expects that the adoption will result in an increase in right-of-use assets and lease liability by approximately \$138,000 and no impact on opening deficit at January 1, 2019.

Subsequent to transition, depreciation expense and finance costs will also increase accordingly, which reflects the changes to the right-of-use asset and lease liability, respectively.

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6. EQUIPMENT

	<u>Furniture and Fixtures</u>	<u>Software</u>	<u>Total</u>
Net carrying amount – December 31, 2017	\$ —	\$ —	\$ —
Additions	54,647	50,430	105,077
Amortization	(12,456)	(11,207)	(23,663)
Net carrying amount – December 31, 2018	42,191	39,223	81,414
Amortization	(14,023)	(12,607)	(26,630)
Net carrying amount - September 30, 2019	\$ 28,168	\$ 26,616	\$ 54,784

7. 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. The equipment held by the Company is held in Canada \$28,168 (2018 – \$46,883) and the United States \$26,616 (2018 – \$43,426).

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	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
United States	\$ 24,128	\$ 74,202	\$ 132,765	\$ 147,790
Other	10,470	-	15,566	166
	\$ 34,598	\$ 74,202	\$ 148,331	\$ 147,956

8. EXPENSES CLASSIFIED BY NATURE

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

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Employees and contractors	\$ 482,530	\$ 909,037	\$ 1,861,469	\$ 2,407,592
Amortization	8,874	8,797	26,630	14,672
Interest expense (Note 9)	1,000	-	2,999	1,718
Software and support tools	21,132	49,630	66,219	114,524
Director Fees	11,274	-	50,786	-
Investor Relations	64,000	-	175,989	-
Legal and professional fees	38,825	168,682	114,909	506,153
Administration	49,759	56,855	161,976	175,751
Share-based compensation (Note 11)	-	149,741	181,092	444,920
Travel and entertainment	12,937	16,438	29,564	108,546
Advertising, promotion and marketing	12,157	12,472	35,746	93,857
	\$ 671,343	\$ 1,371,652	\$ 2,707,381	\$ 3,867,733

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9. LOANS PAYABLE

On April 1, 2017 and May 1, 2017, the Company entered into loan agreements whereby the Company agreed 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. 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 September 30, 2019, the Company incurred and paid interest expense of \$2,999 (2018 – \$1,718). At September 30, 2019, the Company has a loan payable outstanding of \$50,000 relating to the principal balance with one of the lenders.

10. SHARE CAPITAL

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

Equity Financing

On April 29, 2019, the Company closed a non-brokered private placement for total proceeds of CAD \$2,119,334 resulting in the issuance of 28,257,789 units. Each unit is comprised of one share and one warrant. Each warrant is exercisable until April 26, 2022 (subject to an acceleration clause) at a price of CAD\$0.15 per warrant to acquire one common share. The Company issued 1,892,432 agents' warrants which are exercisable at CAD \$0.15 until April 26, 2022. Each warrant entitles its holder to acquire one common share of the Company in accordance with its terms.

On September 19, 2019, the Company announced it intends to complete a non-brokered private placement of units of the Company at a price of CAD \$0.05 per unit, for anticipated aggregate gross proceeds to the Company of approximately CAD \$1.5 million. Each unit is expected to be comprised of one common share of the Company and one common share purchase warrant, with each warrant being exercisable for one common share at an exercise price of CAD \$0.10 per common share at any time up to 36 months following the closing date of the Offering.

11. RESERVES

Stock Options

The Company has a stock 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. The maximum number of common shares reserved for issuance for options that may be granted under the Plan as at September 30, 2019 was 11,059,120 (September 30, 2018 – 6,230,074).

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

- 25% of the options shall vest 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.

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11. RESERVES (continued)

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

	As at September 30, 2019		As at December 31, 2018	
	Number of options	Weighted average exercise price CAD \$	Number of options	Weighted average exercise price CAD \$
Beginning balance	2,437,500	\$ 0.25	3,444,208	\$ 0.25
Transactions during the period:				
Granted	4,700,000	0.10	1,650,500	1.13
Cancelled	(2,024,625)	1.04	(2,657,208)	0.35
Ending balance	5,112,875	\$ 0.27	2,437,500	\$ 0.25

The following incentive stock options were outstanding to various contractors and key management as at September 30, 2019:

Number of Options Outstanding	Exercise Price (CAD \$)	Expiry Date	Number of Options Exercisable	Exercise Price (CAD \$)
416,250	\$ 0.25	June 8, 2027	240,702	0.25
15,750	\$ 0.25	August 29, 2027	8,203	0.25
578,375	\$ 0.25	September 1, 2027	944,238	0.25
400,000	\$ 1.32	January 5, 2023	300,000	1.32
162,500	\$ 1.44	January 15, 2023	67,551	1.44
400,000	\$ 0.45	June 22, 2023	-	0.45
2,190,000	\$ 0.10	January 17, 2024	750,000	0.10
1,350,000	\$ 0.10	June 25, 2024	125,000	0.10
5,512,875	\$ 0.28		2,310,694	0.38

During the nine months ended September 30, 2019, the Company granted 4,700,000 (2018 – 1,650,500) stock options with a weighted average fair value of \$0.06 (2018 - \$0.91) per option. During the nine months ended September 30, 2019, the Company recognized \$181,092 (2018 - \$444,920) as share-based compensation expense. The fair value of the stock options granted during the nine months ended September 30, 2019 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2019	2018
Expected volatility	100%	100%
Expected life	3.75 years	3.75 years
Expected forfeiture rate	2%	2%
Risk-free interest rate	1.36-1.91%	1.81-1.84%
Dividend yield	Nil	Nil
Weighted average share price	CAD \$ 0.10	CAD \$ 1.13
Weighted average fair value of options at grant date	CAD \$ 0.06	CAD \$ 0.91

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11. RESERVES (continued)

Warrants

During the nine months ended September 30, 2019, there was 30,150,221 warrant issued (2018 – Nil).

The following warrants were outstanding as at September 30, 2019:

Number of warrants outstanding	Weighted average exercise price CAD \$	Expiry date
5,500,000	\$ 0.75	December 11, 2019
1,050,000	\$ 0.50	December 21, 2019
21,135,235	\$ 0.15	December 28, 2021
30,150,221	\$ 0.15	April 26, 2022
57,835,456	\$ 0.21	

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 and loans payable 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, 2019, the Company's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	<u>SCAD</u>
Cash	111,000
Accounts receivable	53,000
Accounts payable and accrued liabilities	<u>(274,000)</u>

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:

<u>Currency</u>	<u>10% Strengthening (weakening)</u>
CAD	<u>(11,000)</u>

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. The accounts receivable is comprised of sales tax receivable from the Government of Canada. As at September 30, 2019, 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 September 30, 2019, the Company is not exposed to any significant interest rate risk. The loan payable to a third party has a fixed interest rate of 8% per annum (Note 9).

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.

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 quarter ended September 30, 2019 and 2018 included the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Remuneration paid to the President	\$ -	\$ 25,679	\$ -	\$ 72,134
Remuneration paid to the CEO	99,936	34,239	199,577	104,283
Remuneration paid to CTO	28,278	31,370	106,452	95,544
Remuneration paid to CFO	22,982	38,680	91,501	105,993
Remuneration paid to independent directors	28,215	-	50,786	-
Stock-based compensation - directors and officers	7,162	61,074	138,800	213,791
	\$ 186,573	\$ 191,041	\$ 587,116	\$ 591,746

As at September 30, 2019, included in accounts payable and accrued liabilities was \$10,536 (2018 - nil) of fees owed to key management personnel.

14. SUPPLEMENTAL CASH FLOW INFORMATION

There was no significant non-cash transactions for the quarters ended September 30, 2019 and 2018 respectively.

15. COMMITMENTS

The Company entered into a lease agreement for office space. The commitments associated with this lease are CAD \$29,400 and CAD \$29,400 for 2019 and 2020, respectively.

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16. SUBSEQUENT EVENTS

Equity Financing

Subsequent to September 30, 2019, the Company completed a partial close of a non-brokered private placement for total proceeds of CAD \$160,000 resulting in the issuance of 3,200,000 units. Each unit is comprised of one share and one warrant. Each warrant is exercisable until November 22, 2022 (subject to an acceleration clause) at a price of CAD\$0.10 per warrant to acquire one common share. The Company issued 91,000 agents' warrants which are exercisable at CAD \$0.10 until November 22, 2022. Each warrant entitles its holder to acquire one common share of the Company in accordance with its terms.