

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

# VENZEE TECHNOLOGIES INC.

For the year ended March 31,  
2024 and the fifteen-month  
period ended March 31, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Venzee Technologies Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Venzee Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and 2023, and its financial performance and its cash flows for the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred ongoing losses and expects to incur further losses in the development of its business. At March 31, 2024, the Company had a working capital deficit of \$581,830, had not yet achieved profitable operations and had an accumulated deficit of \$23,761,098 since its inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year ended. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.



### Valuation of Convertible Debt

As described in Note 7 to the consolidated financial statements, the Company closed a series of unsecured convertible debentures. The convertible debentures have been determined to be a hybrid financial instrument comprised of host debt contract and an embedded derivative due to the varying number of shares issuable after the first year of issuance. The cash received under the convertible debentures is allocated between the fair value of the embedded derivative, and the residual value being assigned to the host financial liability. The calculation of the fair value of the embedded derivative requires management to use an appropriate valuation model and incorporate estimates.

The principal consideration for our determination that the valuation of convertible debentures is a key audit matter is due to the complexity of the convertible debentures and the estimates and assumption involved in the determination of the fair value. This, in turn, led to high degree of auditor judgment and effort in performing procedures to test management's assumptions used in the valuation of the embedded derivatives.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Examining and evaluating the contractual terms identified in the agreements for the convertible debentures.
- Assessing the accounting of the convertible debentures completed by management and their calculation on the valuation of the embedded derivative component and host financial liability.
- Assessing the accounting treatment of the convertible debentures to ensure it followed the appropriate accounting guidance.
- Assessing the reasonability of the calculation used to value the embedded derivative, host financial liability, accretion and interest subsequent to issuance and performing a recalculation of the balances.
- Confirming all key terms for the issuances such as amounts received, interest rate, maturity by sending confirmation requests to creditors.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

*Davidson & Company LLP*

Vancouver, Canada

Chartered Professional Accountants

July 4, 2024

**VENZEE TECHNOLOGIES INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(expressed in U.S. dollars)**

|   | <b>Note</b> | <b>For the Year<br/>Ended March<br/>31, 2024</b> | <b>For the Fifteen Month<br/>Period Ended March 31,<br/>2023</b> |
|---|-------------|--|--|
| <b>Revenues</b>   |             | \$ -   | \$ 44,503  |
| Cost of revenues  |             | -  | 32,092   |
|   |             | -  | 12,411   |
| <b>Expenses</b>   | 13          |  |  |
| Selling and marketing   |             | 893  | 1,317,995  |
| General and administrative  |             | 582,157  | 741,597  |
| Research and development  |             | -  | 339,333  |
| Extinguishment of debt  | 8           | (127,035)  | -  |
| Share-based compensation  | 9,11        | 35,636   | 294,524  |
| Bad debts   |             | -  | 7,287  |
| Accretion expense   |             | 34,258   | 15,554   |
| Interest expense  |             | 46,395   | 7,598  |
|   |             | (572,304)  | (2,723,888)  |
| <b>Other Loss</b>   |             |  |  |
| Gain (loss) on revaluation of derivative liabilities                                | 7           | 78,924   | (455)  |
| <b>Net loss for the period</b>  |             | (493,380)  | (2,711,932)  |
| Translation adjustment  |             | (1,804)  | (7,320)  |
| <b>Total loss and comprehensive loss for the period</b>                             |             | <b>\$ (495,184)</b>                              | <b>\$ (2,719,252)</b>  |
| <b>Basic and diluted loss per common share</b>                                      |             | <b>\$ (0.02)</b>                                 | <b>\$ (0.11)</b>   |
| <b>Weighted average number of common shares<br/>outstanding - basic and diluted</b> |             | <b>28,014,330</b>                                | <b>24,363,335</b>  |

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

**VENZEE TECHNOLOGIES INC.**  
**Consolidated Statements of Financial Position**  
**(expressed in U.S. dollars)**

|   | Note | As at March 31,<br>2024 | As at March 31,<br>2023 |
|---|------|-------------------------|-------------------------|
| <b>ASSETS</b>   |      |                         |                         |
| <b>Current assets</b>                                 |      |                         |                         |
| Cash  |      | \$ 17,313               | \$ 7,430                |
| Accounts receivable                                   | 4    | 3,200                   | 9,109                   |
| <b>Total current assets</b>                           |      | <b>\$ 20,513</b>        | <b>\$ 16,539</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>       |      |                         |                         |
| <b>Current liabilities</b>                            |      |                         |                         |
| Accounts payable and accrued liabilities              |      | \$ 214,828              | \$ 818,173              |
| Promissory note payable                               | 5    | 387,515                 | -                       |
| Loans payable   | 6    | -                       | 44,336                  |
| <b>Total current liabilities</b>                      |      | <b>602,343</b>          | <b>862,509</b>          |
| Convertible debentures, net                           | 7    | 506,301                 | 205,427                 |
| Derivative liabilities                                | 7    | 21,182                  | 83,466                  |
| <b>Total liabilities</b>                              |      | <b>1,129,826</b>        | <b>1,151,402</b>        |
| <b>Shareholders' deficiency</b>                       |      |                         |                         |
| Share capital   | 8    | 19,496,810              | 19,033,696              |
| Reserves  | 9    | 3,138,128               | 3,084,116               |
| Accumulated other comprehensive income                |      | 16,847                  | 15,043                  |
| Deficit   |      | (23,761,098)            | (23,267,718)            |
| <b>Total shareholders' deficiency</b>                 |      | <b>(1,109,313)</b>      | <b>(1,134,863)</b>      |
| <b>Total liabilities and shareholders' deficiency</b> |      | <b>\$ 20,513</b>        | <b>\$ 16,539</b>        |

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 16)

Approved and authorized for issue on behalf of the Board on July 4, 2024.

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

**VENZEE TECHNOLOGIES INC.**

**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

**(expressed in U.S. dollars)**

|   | Note | Outstanding       | Share capital        | Reserves            | Accumulated<br>other<br>comprehensive<br>income (loss) | Deficit                | Total                 |
|---|------|-------------------|----------------------|---------------------|--|------------------------|-----------------------|
| <b>Balance – December 31, 2021</b>                      |      | <b>23,185,784</b> | <b>\$ 18,174,411</b> | <b>\$ 2,742,777</b> | <b>\$ 22,363</b>                                       | <b>\$ (20,555,786)</b> | <b>\$ 383,765</b>     |
| Share-based compensation                                | 8    | -                 | -                    | 294,524             | -  | -                      | 294,524               |
| Exercise of stock options                               | 8    | 16,667            | 19,725               | (9,762)             | -  | -                      | 9,963                 |
| Broker warrants in connection with private placements   | 8,9  | -                 | (28,178)             | 28,178              | -  | -                      | -                     |
| Exercise of warrants                                    | 8    | 595,200           | 477,348              | (5,940)             | -  | -                      | 471,408               |
| Private placements                                      | 8    | 848,500           | 398,954              | 54,441              | -  | -                      | 453,395               |
| Transaction costs in connection with private placements | 8    | -                 | (36,625)             | -                   | -  | -                      | (36,625)              |
| RSU redemption  |      | 10,000            | 28,061               | (20,102)            | -  | -                      | 7,959                 |
| Translation adjustment                                  |      | -                 | -                    | -                   | (7,320)  | -                      | (7,320)               |
| Net loss for the period                                 |      | -                 | -                    | -                   | -  | (2,711,932)            | (2,711,932)           |
| <b>Balance – March 31, 2023</b>                         |      | <b>24,656,151</b> | <b>\$ 19,033,696</b> | <b>\$ 3,084,116</b> | <b>\$ 15,043</b>                                       | <b>\$ (23,267,718)</b> | <b>\$ (1,134,863)</b> |
| Share-based compensation                                | 8    | -                 | -                    | 35,636              | -  | -                      | 35,636                |
| Shares issued for services                              | 7    | 1,800,000         | 133,620              | -                   | -  | -                      | 133,620               |
| Debt settlement, net of transaction costs               | 7    | 4,475,487         | 330,403              | -                   | -  | -                      | 330,403               |
| Broker warrants in connection with private placements   | 7    | -                 | (909)                | 909                 | -  | -                      | -                     |
| Capital contribution                                    | 5    | -                 | -                    | 17,467              | -  | -                      | 17,467                |
| Translation adjustment                                  |      | -                 | -                    | -                   | 1,804  | -                      | 1,804                 |
| Net loss for the period                                 |      | -                 | -                    | -                   | -  | (493,380)              | (493,380)             |
| <b>Balance – March 31, 2024</b>                         |      | <b>30,931,638</b> | <b>\$ 19,496,810</b> | <b>\$ 3,138,128</b> | <b>\$ 16,847</b>                                       | <b>\$ (23,761,098)</b> | <b>\$ (1,109,313)</b> |

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

**VENZEE TECHNOLOGIES INC.**  
**Consolidated Statements of Cash Flows**  
**(expressed in U.S. dollars)**

|   | <b>For the Year Ended<br/>March 31,<br/>2024</b> | <b>For the Fifteen Month<br/>Period Ended March 31,<br/>2023</b> |
|---|--|--|
| <b>Cash flows from operating activities</b>                 |  |  |
| Net loss for the period                                     | \$ (493,380)                                     | \$ (2,711,932)   |
| Interest expense  | 36,211   | 7,598  |
| Accretion expense   | 34,258   | 15,554   |
| Forgiveness of debt   | (127,035)  | -  |
| Share-based compensation                                    | 35,636   | 294,524  |
| Bad debts   | -  | 7,287  |
| Foreign exchange  | -  | 5,201  |
| Gain (loss) on revaluation of derivative liabilities        | (78,924)   | 455  |
| Shares for services   | 133,620  | -  |
| Changes in non-cash operating elements of working capital   |  |  |
| Accounts receivable   | 5,904  | 15,704   |
| Prepaid expenses  | -  | 46,314   |
| Accounts payable and accrued liabilities                    | (12,287)   | 636,346  |
| <b>Net cash used in operating activities</b>                | <b>(465,997)</b>                                 | <b>(1,682,949)</b>   |
| <b>Cash flows from financing activities</b>                 |  |  |
| Repayment of loans payable                                  | (44,336)   | -  |
| Proceeds from convertible debentures                        | 283,911  | 265,286  |
| Proceeds from promissory notes                              | 257,353  | -  |
| Transaction costs in connection with convertible debentures | (22,852)   | -  |
| Proceeds from exercise of stock options                     | -  | 9,963  |
| Proceeds from private placements                            | -  | 453,395  |
| Proceeds from exercise of warrants                          | -  | 471,408  |
| Transaction costs in connection with private placement      | -  | (36,625)   |
| <b>Net cash provided by financing activities</b>            | <b>474,076</b>                                   | <b>1,163,427</b>   |
| Effect of foreign exchange on cash                          | 1,804  | (7,320)  |
| Change in cash during the period                            | 9,883  | (526,842)  |
| Cash – beginning of period                                  | 7,430  | 534,272  |
| <b>Cash – end of period</b>                                 | <b>\$ 17,313</b>                                 | <b>\$ 7,430</b>  |

**Supplemental disclosure with respect to cash flows:**

- Recognition of the fair value of broker warrants of \$909 (2023 - \$28,178).
- Fair value of warrants exercised of \$nil (2023 - \$5,940).
- Fair value of options exercised of \$nil (2023 - \$9,762).
- Residual value of units attributed to warrants of \$nil (2023 - \$54,441).
- Settled \$457,438 (2023 - \$nil) of accounts payable through the issuance of 4,475,487 (2023 – nil) common shares valued at \$330,403 (2023 - \$nil).
- Capital contribution of \$17,467 (2023 - \$nil).

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

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Venzee Technologies Inc. (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 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.

These 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 March 31, 2024, the Company had a working capital deficit of \$581,830, had not yet achieved profitable operations and has an accumulated deficit of \$23,761,098 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 cast significant doubt as to the ability of the Company to continue as a going concern. The 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

**2. BASIS OF PREPARATION****Statement of compliance**

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved for issuance by the Board of Directors on July 4, 2024.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**2. BASIS OF PREPARATION (continued)**

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments 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 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 consolidated financial statements are in and to U.S. dollars, and references to “CAD” or “CAD \$” are to Canadian dollars.

**Change in Year End**

Effective fiscal 2023, the Company changed its financial year-end from December 31 to March 31 to better facilitate the audit process. The Company’s transition financial year consisted of a 15-month period ending March 31, 2023.

**Basis of consolidation**

The 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.* 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% 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.

**Critical accounting estimates and judgments**

The preparation of these 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.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**2. BASIS OF PREPARATION (continued)**

**Critical accounting estimates and judgments (continued)**

The 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 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**

*Share based compensation*

Inputs used in the valuation model to determine the fair value of stock options.

*Valuation of Compensatory Warrants*

The Company makes certain estimates and assumptions when calculating the estimated fair values of warrants issued. The significant assumptions used include estimates of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of warrant.

*Convertible debentures and derivatives*

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of derivative liability. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss).

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**2. BASIS OF PREPARATION (continued)**

**Judgments**

*Functional currency*

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

*Going concern*

The 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 for the consolidated financial statements, 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.

*Research versus development expenses*

The accounting for research and development expenses differs with research expenses recognized in the statements of loss and comprehensive loss during the period incurred, whereas development expenses are recognized as an intangible asset in the statements of financial position when incurred. The Company's operations, from time to time, may include both research and development activities. Management has used judgement to determine whether activities should be recognized as research expenses or as an intangible asset for development expenses. To date, management has determined that its activities are research activities and has not incurred any expenses that would qualify as recognition as an intangible asset in the statements of financial position.

*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.

*Embedded derivatives*

As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**2. BASIS OF PREPARATION (continued)**

future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements. The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which requires exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

**Foreign exchange**

Transactions in foreign currencies are initially translated into an entity's functional currency using rates prevailing at the date of the transaction. Monetary assets and liabilities are translated using the exchange rates in effect on the reporting date.

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

The statement of financial position of each foreign entity is translated into US dollars using the exchange rate at the statement of financial position date and the statement of loss and comprehensive loss is translated into US dollars using the average exchange rate for the period. All gains and losses on translation of a foreign entity from the functional currency to the presentation currency are charged to accumulated other comprehensive income.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

**Financial instruments**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of IAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

**Financial assets**

Financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets classified at FVOCI or FVTPL are measured at fair value with changes in those fair values recognized in other comprehensive income (loss) and profit or loss, respectively.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company’s business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured initially at fair value plus transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company has classified and measured cash and accounts receivable as amortized cost.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Financial assets (continued)**

For purposes of cash flows reporting and presentation, cash in banks generally earn interest based on daily bank deposit rates. These are unrestricted and readily available for use in the Company's operations and are subject to insignificant risks of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in profit or loss as part of interest income.

**1. Impairment of financial assets**

The Company assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Financial assets (continued)**

**2. Derecognition of financial assets**

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**Equity and financial liabilities**

*Equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the appropriate reporting standard.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavorable conditions. Financial liabilities also include contracts which may be settled in an entity's equity instruments.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable and accrued liabilities, debt component of convertible debt and loans payable as other financial liabilities.

***Derecognition of financial liabilities***

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Financial assets (continued)**

*Embedded derivatives*

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in profit or loss.

**Revenue recognition**

The Company recognizes revenue based on the five-step model as follows:

1. Identifying the contract with customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

The Company's revenue is derived from software licensing fees purchased through monthly or annual subscription fees, prepaid credits for a specific amount of product submissions and the use of our partner platform. 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 specific terms of the contract software license arrangement. The Company records deferred revenue for cash payments received from customers in advance of satisfying the performance obligation(s).

Subscription fees are recognized as per the terms of the arrangement. Revenue from product submissions are recognized upon delivery. 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.

**Software development costs**

Costs incurred in the development and testing of subscription software products related to research, project planning, training, maintenance and general and administrative activities, and overhead costs are expensed as incurred. The costs of relatively minor upgrades and enhancements to the software are also expensed as incurred.

Costs for the development of new software solutions and substantial enhancements to existing software solutions are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. No research and development costs have been capitalized because the Company believes that technological feasibility is established concurrent with general release to customers.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Convertible debenture and derivative liability**

Upon initial recognition, the Company determines whether the convertible debentures consist of liability and equity components, or if both components represent liabilities. For convertible debentures which provide conversion into a fixed number of shares (the “fixed-for-fixed” criteria), the liability component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The liability component is accreted to the face value over the term of the convertible debenture. The equity component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

For convertible debentures which provide conversion into a variable number of shares or into a fixed number of shares for a variable amount of consideration, the conversion option is accounted for as an embedded derivative, which is separated from the host contract. The conversion option of the convertible debentures outstanding at March 31, 2023 met the criteria of a derivative instrument liability because the conversion price of the convertible debentures varied depending on certain factors and thus did not meet the “fixed-for-fixed” criteria. As a result, the Company separately accounts for the conversion feature as a derivative liability recorded at fair value and marked-to-market each period with the changes in the fair value recognized in profit or loss. The liability component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the derivative liability.

**Income taxes**

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent it relates to items recognized directly in the statements of changes in shareholders’ equity (deficiency). Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to the tax payable with regards to previous years.

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**Government assistance and other grants**

Government assistance and other grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as a deduction against the related expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. Government and other grants received in advance that relate to expenses to be incurred in future periods are accounted for as liabilities in the statement of financial position and deducted against the related expenditures as incurred.

**Share-based compensation**

The Company grants stock options to directors, officers, employees and consultants as consideration for services performed. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Compensation expense is recorded in profit or loss and reserves for stock options that vested. When the stock options are exercised, the Company issues new shares. The proceeds are credited to share capital. Upon exercise, compensation expense previously recognized in reserves is reclassified to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of the goods or services received.

**Earnings or loss per share**

Basic earnings or loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings or loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants as if they were exercised and that the proceeds for such exercises were used to acquire common stock at the average market price during the reporting periods, where the inclusion of these would not be anti-dilutive.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**New accounting standards, interpretations and amendments not yet effective**

The following amendments will be effective for annual reporting periods beginning on or after April 1, 2024:

1. The amendment to IAS 1 “Non-current Liabilities with Covenants” clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. This amendment to IAS 1 are applicable for annual periods beginning on or after January 1, 2024.
2. IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. Companies are permitted to apply IFRS 18 before that date.

The Company anticipate that these amendments will not have a material impact on the results and the financial position of the Company.

**4. ACCOUNTS RECEIVABLE**

|                   | <b>March 31,<br/>2024</b> | March 31,<br>2023 |
|-------------------|---------------------------|-------------------|
| Input tax credits | <b>3,200</b>              | 9,109             |
|                   | <b>\$ 3,200</b>           | \$ 9,109          |

The Company recognized an expected credit loss of \$nil (2023 - \$7,287) as at March 31, 2024.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**5. PROMISSORY NOTE PAYABLE**

During the year ended March 31, 2024, the Company entered into a series of promissory notes with a company owned by a Director of the Company as follows:

- Two unsecured promissory notes in September and November 2023 for \$100,000 CAD and \$150,000 CAD respectively which both bear 8% per annum interest rate and mature in December 2026. The Company has determined that a below-market interest rate was provided. The Company determined the fair value of the loans to be \$226,171 CAD using the market interest rate of 12%. The difference between the initial fair value and the face value totaling \$17,467 has been treated as a capital contribution. The promissory notes will be accreted to their face value over the term of the notes at an effective interest rate of 11.63% and 10.88%, and;
- In February 2024 entered into a grid promissory note secured by the assets of the Company, accruing interest at 12% per annum and repayable on demand. The grid promissory note totals \$280,000 CAD, consisting of \$180,000 CAD of consulting fees owed as well as cash advances of \$100,000 CAD.

As at March 31, 2024, the Company has recorded a total of \$387,515 (\$545,643 CAD) of loans, consulting fee and accrued interest owing under these promissory notes.

**6. LOANS PAYABLE**

On December 22, 2020, the Company received relief funding through the Canada Emergency Business Account (“CEBA”) in the amount of \$47,092 (CAD \$60,000). The loan was unsecured and interest free with no payments required until January 18, 2024 at which time, when the balance is repaid, CAD \$20,000 will be forgiven. During the year ended March 13, 2024, the Company repaid the required amount by the required time and recorded \$14,841 as a gain on extinguishment of the loan.

**7. CONVERTIBLE DEBENTURES**

During the year ended March 31, 2024, the Company closed a series of unsecured convertible debentures for a total of \$283,911 (CAD \$385,000) (the “Debenture”). The Company paid \$30,800 CAD in cash in debt transaction costs. During the fifteen months ended March 31, 2023, the Company closed a series of unsecured convertible debentures for a total of \$265,286 (CAD \$360,000).

The Debenture mature three (3) years from the date of issuance and bear interest at a rate of 5% per annum, payable and compounded annually. The principal sum or any portion thereof, may be converted into units of the Company at a conversion price of CAD \$0.50 per unit for the first year and at the greater of market price of the shares or CAD \$1.00 in subsequent years, commencing on the date that is six (6) months from the date that the Debentures are issued.

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)**

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**7. CONVERTIBLE DEBENTURES (continued)**

Each unit shall be comprised of one common share and one share purchase warrant. Each warrant shall entitle the holder to acquire one additional common share of the Company at a price of CAD \$0.80 per share for a period of sixty (60) months from the date that the warrants are issued. In connection with the debenture issued in fiscal 2023, the Company issued 52,800 finders' warrants with the same terms and conditions as above. The fair value of the warrants is determined to be immaterial.

The convertible debentures have been determined to be a hybrid financial instrument comprised of host debt contract and an embedded derivative due to the varying number of shares issuable after the first year of issuance. The cash received under the convertible debentures is allocated between the fair value of the embedded derivative, and the value of the loan liability. The value ascribed to the embedded derivative is determined using a Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability.

As at March 31, 2024, the Company accrued \$25,071 (2023 - \$7,598) of interest expenses, \$31,384 (2023 - \$15,554) of accretion expenses in connection with these Debentures as follows:

|  |           |                |
|--|-----------|----------------|
| Opening balance, December 31, 2021               | \$        | -              |
| Issuance of convertible notes                    |           | 265,286        |
| Allocation of proceeds to derivative liabilities |           | (83,011)       |
| Interest expense                                 |           | 7,598          |
| Accretion expense                                |           | 15,554         |
| <b>Ending balance, March 31, 2023</b>            | <b>\$</b> | <b>205,427</b> |
| Issuance of convertible notes                    |           | 283,911        |
| Allocation of proceeds to derivative liabilities |           | (16,640)       |
| Interest expense                                 |           | 25,071         |
| Transaction costs                                |           | (22,852)       |
| Accretion expense                                |           | 31,384         |
| <b>Ending balance, March 31, 2024</b>            | <b>\$</b> | <b>506,301</b> |

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)****7. CONVERTIBLE DEBENTURES (continued)**

As the conversion price of the convertible debentures varied depending on certain factors, the Company recorded an embedded derivative liability with respect to the conversion feature with the residual amount allocated to the debt component. The debt component was subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative liabilities were initially measured at fair value and re-measured at the end of each reporting period with any changes in fair value reported in profit and loss as follows:

|   |           |               |
|---|-----------|---------------|
| Opening balance, December 31, 2021            | \$        | -             |
| Recognition of derivative liabilities         |           | 83,011        |
| Loss on revaluation of derivative liabilities |           | 455           |
| Ending balance, March 31, 2023                | \$        | 83,466        |
| Recognition of derivative liabilities         |           | 16,640        |
| Loss on revaluation of derivative liabilities |           | (78,924)      |
| <b>Ending balance, March 31, 2024</b>         | <b>\$</b> | <b>21,182</b> |

The initial fair value of the embedded derivative for the convertible debentures was determined to be \$16,640 (2022 - \$83,011) using the Black-Scholes Option Pricing model with the following weighted average assumptions:

|                                       |         |
|---------------------------------------|---------|
| Risk-free rate                        | 1.45%   |
| Dividend yield                        | -       |
| Expected life                         | 3 years |
| Volatility                            | 100%    |
| Probability of conversion at maturity | 100%    |
| Probability of conversion at \$0.10   | 0%      |

As of March 31, 2024, the fair value of the embedded derivative for the convertible debentures was determined to be \$21,182 (2023 - \$83,466) using the Black-Scholes Option Pricing model with the following weighted average assumptions:

|                                       |                  |
|---------------------------------------|------------------|
| Risk-free rate                        | 3.87%            |
| Dividend yield                        | -                |
| Expected life                         | 1.2 to 2.2 years |
| Volatility                            | 100%             |
| Probability of conversion at maturity | 100%             |
| Probability of conversion at \$1.00   | 0%               |

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**8. SHARE CAPITAL**

The authorized share capital of the Company consists of unlimited common shares, with no par value. On February 14, 2024, the Company completed a consolidation of its share capital on a 10:1 basis. Accordingly, the share consolidation has been retroactively applied and the number of outstanding common shares, stock options, and per share amounts are stated on an adjusted basis.

During the year ended March 31, 2024:

- Issued 1,800,000 common shares for the services to a company controlled by a Director of the Company for the equivalent of \$133,620 for consulting services; and,
- Issued 4,475,487 common shares at a value of \$330,403 in exchange for the extinguishment of \$457,438 of accounts payable and accrued liabilities for a gain of \$127,035.

During the fifteen-month period ended March 31, 2023:

- The Company issued 16,667 common shares with the exercise of stock options for proceeds of \$9,963 (CAD \$12,500);
- The Company issued 595,200 common shares with the exercise of warrants for proceeds of \$471,408 (CAD \$601,200);
- On April 6, 2022, the Company closed a non-brokered private placement for total proceeds of \$303,681 (CAD \$405,200) resulting in the issuance of 506,500 units. Each unit is comprised of one share and one warrant. Each warrant is exercisable until April 6, 2025 (subject to an acceleration clause) at a price of CAD \$1.20 per warrant to acquire one common share. In connection with the private placement, the Company paid \$25,800 (CAD \$32,416) and issued 40,520 warrants as finders' fees. Each finders' warrant is exercisable for one common share at CAD \$1.20 until April 6, 2025;
- On June 9, 2022, the Company closed a second non-brokered private placement for total proceeds of \$149,714 (CAD \$171,000) resulting in the issuance of 342,000 units. Each unit is comprised of one share and one warrant. Each warrant is exercisable until June 6, 2025 (subject to an acceleration clause) at a price of CAD \$1.00 per warrant to acquire one common share. A residual value of \$54,411 was allocated to the warrants. In connection with the private placement, the Company paid \$10,825 (CAD \$13,600) and issued 27,200 warrants as finders' fees. Each finders' warrant is exercisable for one common share at CAD \$1.00 until June 6, 2025.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

**9. 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, which shall not be less than the market price at the date of grant, and vesting periods.

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 March 31, 2024 was 3,093,163, being 10% of the issued and outstanding common shares of the Company.

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

|                                 | As at March 31, 2024 |  | As at March 31, 2023 |  |
|---------------------------------|----------------------|--|----------------------|--|
|                                 | Number of options    | Weighted average exercise price CAD \$ | Number of options    | Weighted average exercise price CAD \$ |
| Beginning balance               | 1,465,000            | \$ 1.10                                | 2,185,000            | \$ 1.40                                |
| Transactions during the period: |                      |  |                      |  |
| Exercised                       | -                    | -                                      | (16,667)             | 0.75                                   |
| Expired/forfeited               | (805,000)            | 1.16                                   | (703,333)            | 1.74                                   |
| Ending balance                  | <u>660,000</u>       | <u>\$ 0.98</u>                         | <u>1,465,000</u>     | <u>\$ 1.10</u>                         |

The following incentive stock options were outstanding as at March 31, 2024:

| Number of Options Outstanding | Exercise Price (CAD \$) | Expiry Date       | Number of Options Exercisable | Exercise Price (CAD \$) |
|-------------------------------|-------------------------|-------------------|-------------------------------|-------------------------|
| 20,000                        | 1.00                    | June 25, 2024     | 20,000                        | 1.00                    |
| 335,000                       | 0.75                    | June 17, 2025     | 335,000                       | 0.75                    |
| 100,000                       | 1.30                    | February 11, 2026 | 100,000                       | 1.30                    |
| 205,000                       | 1.20                    | December 1, 2026  | 205,000                       | 1.20                    |
| <u>660,000</u>                | <u>0.98</u>             |                   | <u>660,000</u>                | <u>0.98</u>             |

The weighted average remaining life of the stock options was 1.74 years. 20,000 options expired subsequent to March 31, 2024 unexercised.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**9. RESERVES (continued)**

During the year ended March 31, 2024, the Company recognized \$35,636 (2023 - \$294,524) as share-based compensation expense. The fair value of the stock options granted are estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

|  |            |
|--|------------|
| Expected volatility                                  | 151%       |
| Expected life  | 5 years    |
| Risk-free interest rate                              | 1.41%      |
| Dividend yield                                       | 0%         |
| Weighted average fair value of options at grant date | CAD \$1.10 |

***Restricted Share Units (“RSU’s”)***

The Company also has a restricted share unit (“RSU”) plan for certain officers, employees and consultants.

The RSUs granted are equity-settled share-based payments and are measured at the fair value of the Company’s common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan. The fair value determined at the grant date is charged to income on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares, with a corresponding increase in reserves.

As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested. The impact of the revision of estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

On March 30, 2021, the Company granted 190,000 RSU’s which vest pursuant to the holders meeting certain performance targets as determined by the Board of Directors. For the year ended December 31, 2021, all 190,000 RSU’s had vested and the Company recognized \$242,521 as share-based compensation expense. The fair value of the RSU’s was calculated using the share price of the vesting RSU’s on the vesting date. The Company issued 10,000 common shares upon the exercise of 10,000 RSU’s during the fifteen-month period ended March 31, 2023. As at March 31, 2024, the remaining RSU’s had expired.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

**9. RESERVES (continued)**

*Warrants*

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

|                                   | Number of<br>warrants | Weighted<br>average<br>exercise<br>price CAD \$ |
|-----------------------------------|-----------------------|---|
| <b>Balance, December 31, 2021</b> | <b>10,590,585</b>     | <b>1.20</b>                                     |
| Issued                            | 969,020               | 1.10  |
| Exercised                         | (595,200)             | (1.00)  |
| Expired unexercised               | (4,374,742)           | (1.30)  |
| <b>Balance, March 31, 2023</b>    | <b>6,589,663</b>      | <b>1.10</b>                                     |
| Issued                            | 61,600                | 0.80  |
| Expired unexercised               | (5,620,643)           | (1.06)  |
| <b>Balance, March 31, 2024</b>    | <b>1,030,620</b>      | <b>1.08</b>                                     |

The following warrants were outstanding as at March 31, 2024:

| Number of        | Weighted    | Expiry date         |
|------------------|-------------|---------------------|
| 547,020          | 1.20        | April 6, 2025 *     |
| 369,200          | 1.00        | June 9, 2025 *      |
| 39,200           | 0.80        | July 29, 2025 *     |
| 13,600           | 0.80        | February 26, 2026 * |
| 25,600           | 0.80        | April 4, 2026       |
| 36,000           | 0.80        | June 9, 2026        |
| <b>1,030,620</b> | <b>1.08</b> |                     |

\*These warrants are subject to accelerated exercise clause, wherein in the event that volume weighted average trading price of the shares is equal to or greater than \$2.50 for a period of 10 consecutive trading days, the Company shall have the right to accelerate the expiry of the warrants to a date that is 30 days from the Company issues a press release stating its intention to accelerate the expiry of the warrants.

The weighted average remaining life of the warrants is 1.17 years.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**9. RESERVES (continued)**

*Warrants (continued)*

During the year ended March 31, 2024, the Company granted nil (2023 – 848,500) warrants to investors and 61,600 (2023 – 120,520) broker warrants pursuant to non-brokered private placements and convertible debenture financings. The fair value of broker warrants granted of \$909 (2023 – \$28,178) were estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

|   | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Expected volatility                                   | 100%        | 163%        |
| Expected life   | 3 years     | 3           |
| Expected forfeiture rate                              | 0%          | 0%          |
| Risk-free interest rate                               | 3.48-4.13%  | 3%          |
| Dividend yield  | 0%          | 0%          |
| Weighted average fair value of warrants at grant date | <u>0.01</u> | <u>0.5</u>  |

**10. 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 cash, accounts receivable, accounts payable and accrued liabilities, loans payable and debt component of the convertible debentures approximate their carrying values due to their short-term nature or market interest rate. The Company’s embedded derivative is measured using level 3 inputs as disclosed in Note 7.

The Company is exposed to various financial instrument related risks:

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)**

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**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*****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 March 31, 2024 the Company's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

|  | <u>\$CAD</u>     |
|--|------------------|
| Cash                                     | 16,000           |
| Accounts receivable                      | 3,000            |
| Accounts payable and accrued liabilities | (48,000)         |
| Loans payable                            | (388,000)        |
| Convertible debentures                   | <u>(506,000)</u> |

The table below details the effect on loss and comprehensive loss of a 10% strengthening or weakening of the USD exchange rate at the statement of financial position date for financial instruments denominated in CAD:

| <u>Currency</u> | <u>Change in Loss and<br/>Comprehensive loss</u> |
|-----------------|--|
| CAD             | <u>\$ (83,900)</u>                               |

***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 balance is primarily comprised of sales tax receivable from the Government of Canada. As at March 31, 2024, 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. The Company does not have any debt that bears variable interest rate. As at March 31, 2024, the Company is not exposed to any significant interest

***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.

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)**

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**11. 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 year ended March 31, 2024 and fifteen-month period ended March 31, 2023 included the following:

|   | <b>For the Year<br/>Ended March 31,<br/>2024</b> | <b>For the Fifteen<br/>Month Period<br/>Ended March 31,<br/>2023</b> |
|---|--|--|
| Remuneration paid to the CEO                              | \$ 48,500  | \$ 204,609   |
| Remuneration paid to CFO                                  | 53,791   | 77,537   |
| Remuneration paid to Executive VP - Commercial Operations | 36,000   | 195,000  |
| Remuneration paid to the Director for management services | 133,551  | -  |
| Stock-based compensation - directors and officers         | 35,636   | 174,353  |
|   | <u>\$ 307,478</u>                                | <u>\$ 651,499</u>  |

As at March 31, 2024, amounts owing to key management personnel included:

- \$5,565 (2023 - \$420,022) in accounts payable and accrued liabilities for remuneration and consulting services;
- \$402,689 (2023 - \$nil) owed through promissory notes (Note 5), and;
- \$224,130 (2023 - \$nil) of convertible debt (Note 7).

During the year ended March 31, 2024, the Company settled \$403,332 of accounts payable owing to the related parties through the issuance of 4,157,487 common shares valued at \$306,826.

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)****12. 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 | <b>For the Year<br/>Ended March 31,<br/>2024</b> | <b>For the Fifteen<br/>Month Period<br/>Ended March 31,<br/>2023</b> |
|-----------------|--|--|
| United States   | \$ -   | \$ 40,503  |
| Other           | -  | 4,000  |
|                 | <u>\$ -</u>                                      | <u>\$ 44,503</u>   |

**13. 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:

|                                      | <b>For the Year Ended<br/>March 31,<br/>2024</b> | <b>For the Fifteen Month<br/>Period Ended March 31,<br/>2023</b> |
|--------------------------------------|--|--|
| Administration                       | \$ 75,287  | \$ 110,285   |
| Accretion expense                    | 34,258   | 15,554   |
| Advertising, promotion and marketing | -  | 68,262   |
| Bad debts                            | -  | 7,288  |
| Salaries and contractors             | 413,847  | 1,969,934  |
| Gain on extinguishment of debt       | (127,035)  | -  |
| Interest expense                     | 46,395   | 7,598  |
| Investor relations                   | 28,564   | 93,165   |
| Legal and professional fees          | 44,061   | 72,322   |
| Share-based compensation             | 35,636   | 294,524  |
| Software and support tools           | 12,867   | 71,392   |
| Travel and entertainment             | 8,424  | 13,564   |
|                                      | <u>\$ 572,304</u>                                | <u>\$ 2,723,888</u>  |

**VENZEE TECHNOLOGIES INC.****Notes to Consolidated Financial Statements****For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023****(expressed in U.S. dollars)****14. CAPITAL MANAGEMENT**

The Company's capital structure consists of items within shareholders' deficiency and any debt the Company has issued. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not have adequate sources of capital for the development of its business over the long term, and will need to raise adequate capital by obtaining equity financing and/or incurring debt.

**15. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|  | <b>2024</b>  | <b>2023</b>    |
|--|--------------|----------------|
| Loss for the period  | \$ (493,380) | \$ (2,711,932) |
| Expected income tax (recovery)                                       | \$ (134,000) | \$ (728,000)   |
| Change in statutory, foreign tax, foreign exchange rates and other   | 6,000        | 67,000         |
| Permanent differences  | 14,000       | 80,000         |
| Share issue cost   | -            | (9,000)        |
| Adjustment to prior years provision versus statutory tax returns and | 71,000       | 510,000        |
| Change in unrecognized deductible temporary differences              | 43,000       | 80,000         |
| <b>Total income tax expense (recovery)</b>                           | <b>\$ -</b>  | <b>\$ -</b>    |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

|   | <b>2024</b> | <b>Expiry Date Range</b> | <b>2023</b> | <b>Expiry Date Range</b> |
|---|-------------|--------------------------|-------------|--------------------------|
| <b>Temporary Differences</b>                    |             |                          |             |                          |
| Property and equipment                          | 24,000      | No expiry date           | 24,000      | No expiry date           |
| Share issue costs                               | 84,000      | 2044 to 2046             | 180,000     | 2043 to 2046             |
| Debt with accretion                             | 49,000      | No expiry date           | 8,000       | No expiry date           |
| Non-capital losses available for future periods | 20,034,000  |                          | 20,330,000  |                          |
| Canada  | 6,402,000   | 2037 to 2044             | 6,240,000   | 2037 to 2043             |
| USA   | 13,632,000  | 2034 and onwards         | 14,090,000  | 2034 and onwards         |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**VENZEE TECHNOLOGIES INC.**

**Notes to Consolidated Financial Statements**

**For the year ended March 31, 2024 and the fifteen-month period ended March 31, 2023**

**(expressed in U.S. dollars)**

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**16. SUBSEQUENT EVENTS**

Subsequent to March 31, 2024, the Company:

- Entered into a software right-of-use agreement with Digital Commerce Payments Inc., a company owned by a Director of the Company, in exchange for 19,318,182 common shares of the Company. The transaction is subject to shareholder approval;
- Had 20,000 stock options expire, unexercised, and;
- Received an additional \$160,000 CAD of funding from a company controlled by a Director of the Company under the same terms and conditions as the grid promissory note (Note 5)