

VERSES AI INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024 and 2023**
(Expressed in United States dollars)

VERSES AI INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in United States dollars)

	Notes	September 30, 2024 (Unaudited)	March 31, 2024 (Audited)
ASSETS			
CURRENT			
Cash and restricted cash	3	\$ 2,236,498	\$ 892,727
Accounts receivable		155,000	100,000
Shares subscription receivable	11	2,042,307	-
Due from related parties	9	1,133,383	983,120
Deferred financing costs		-	80,993
Contract assets and unbilled revenue	4, 5	-	1,252,076
Tax receivable		548,896	374,964
Prepaid expenses	14	1,049,640	794,351
		7,165,724	4,478,231
Due from related parties	9	1,201,986	954,150
Equipment	7, 15	203,931	267,259
TOTAL ASSETS		\$ 8,571,641	\$ 5,699,640
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6, 9, 21	\$ 3,977,199	\$ 2,865,002
Deferred grant	3	176,030	-
Promissory notes	16	-	2,000,000
Provision for legal claim	21	6,307,258	6,307,258
Restricted share unit liability	8	1,157,224	576,214
Convertible debenture	13	8,495,706	-
		20,113,417	11,748,474
Loans payable	7	139,660	140,904
TOTAL LIABILITIES		20,253,077	11,889,378
SHAREHOLDERS' DEFICIENCY			
Share capital	11	75,323,907	62,570,235
Contributed surplus	8, 9, 12	13,954,019	13,244,512
Accumulated other comprehensive loss		(1,142,932)	(920,958)
Deficit		(99,816,430)	(81,083,527)
TOTAL SHAREHOLDERS' DEFICIENCY		(11,681,436)	(6,189,738)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 8,571,641	\$ 5,699,640

Approved and authorized for issue on behalf of the Board on November 14, 2024.

"Gabriel Rene"

Director

"Dan Mapes"

Director

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

VERSES AI INC.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

	Notes	Three months ended September 30,		Six months ended September 30,	
		2024	2023	2024	2023
REVENUE	4	\$ 155,000	\$ 558,814	\$ 155,000	\$ 834,333
COST OF REVENUE		(145,000)	(474,632)	(145,000)	(743,702)
		10,000	84,182	10,000	90,631
EXPENSES					
Accounting fees		200,526	157,403	350,407	272,040
Consulting fees		1,398,831	1,248,158	2,855,032	2,082,956
Depreciation	15	47,857	65,424	93,907	126,234
Investor relations		340,576	786,867	605,993	1,409,316
Legal fees		426,198	360,629	864,112	709,217
Management fees	9	59,455	-	84,581	-
Marketing		292,969	1,215,893	1,199,050	2,658,515
Office and general		508,713	550,236	940,979	898,189
Personnel expenses	9	908,304	1,366,762	1,762,012	2,058,128
Provision for contract settlement	4, 5	-	-	1,252,076	-
Rent		24,741	8,163	60,079	10,383
Research and development		4,166,763	2,240,965	8,261,915	4,222,339
Share based payments	8, 9, 11	1,740,224	(80,819)	1,961,724	965,393
Travel and meals		150,672	211,237	275,036	441,131
		(10,265,829)	(8,130,918)	(20,566,903)	(15,853,841)
OTHER ITEMS:					
Interest expense	7, 13	(221,720)	(58,428)	(293,038)	(344,628)
Accretion expense	13	(411,813)	(36,089)	(453,839)	(203,918)
Other income	19	35,147	146,186	49,970	178,186
Grant income	3	56,034	-	56,034	-
Gain on derivative liability	13	2,464,873	-	2,464,873	-
NET LOSS		(8,333,308)	(7,995,067)	(18,732,903)	(16,133,570)
Foreign exchange difference		(134,465)	(189,332)	(221,974)	(189,332)
NET COMPREHENSIVE LOSS		\$ (8,467,773)	\$ (8,184,399)	\$ (18,954,877)	\$ (16,322,902)
Loss Per Class A Subordinate Voting Shares - Basic and Diluted		\$ (0.05)	\$ (0.06)	\$ (0.14)	\$ (0.13)
Loss Per Class B Proportionate Voting Shares - Basic and Diluted		\$Nil	\$ (0.37)	\$Nil	\$ (0.78)
Weighted Average Number of Class A Subordinate Voting Shares - Basic and Diluted		156,068,423	75,495,559	132,455,199	68,046,105
Weighted Average Number of Class B Proportionate Voting Shares - Basic and Diluted		-	10,000,000	-	10,000,000

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

VERSES AI INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

	Number of Class B Proportionate Voting Shares	Number of Class A Subordinate Voting Shares	Share Capital	Contributed Surplus	Obligation to Issue Shares	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Deficiency
Balance, March 31, 2023	10,000,000	55,805,937	\$ 30,264,179	\$ 5,606,507	\$ 83,456	\$ (636,527)	\$ (34,476,242)	\$ 841,373
Exercise of options and warrants	-	11,859,442	9,435,874	(906,528)	(83,456)	-	-	8,445,890
Issuance of units for cash	-	4,878,048	7,491,999	-	-	-	-	7,491,999
Private placement issuance costs	-	50,000	(1,593,214)	697,807	-	-	-	(895,407)
Conversion of convertible debentures (net)	-	4,372,648	5,699,420	(98,048)	-	-	-	5,601,372
Stock options granted	-	-	-	479,610	-	-	-	479,610
Modification of finders' warrants	-	-	-	440,604	-	-	-	440,604
Special warrants issued	-	-	-	-	10,026,270	-	-	10,026,270
Special warrants issuance costs	-	-	-	782,626	(1,584,795)	-	-	(802,169)
Foreign exchange difference	-	-	-	-	-	(189,332)	-	(189,332)
Net loss	-	-	-	-	-	-	(16,133,570)	(16,133,570)
Balance, September 30, 2023	10,000,000	76,966,075	\$ 51,298,258	\$ 7,002,578	\$ 8,441,475	\$ (825,859)	\$ (50,609,812)	\$ 15,306,640
Exercise of options and warrants	-	2,089,679	1,606,701	(213,134)	-	-	-	1,393,567
Stock options granted	-	-	-	6,455,068	-	-	-	6,455,068
Special warrants converted to shares	-	6,612,849	8,441,475	-	(8,441,475)	-	-	-
Issuance of shares for settlement	-	200,000	198,801	-	-	-	-	198,801
SAFE conversion to shares	-	675,000	1,025,000	-	-	-	-	1,025,000
Foreign exchange difference	-	-	-	-	-	(95,099)	-	(95,099)
Net loss	-	-	-	-	-	-	(30,473,715)	(30,473,715)
Balance, March 31, 2024	10,000,000	86,543,603	\$ 62,570,235	\$ 13,244,512	\$ -	\$ (920,958)	\$ (81,083,527)	\$ (6,189,738)
Exercise of options and warrants	-	2,764,349	2,713,826	(987,543)	-	-	-	1,726,283
Stock options granted	-	-	-	1,380,843	-	-	-	1,380,843
Conversion of Class B Proportionate Voting shares into Class A Subordinate Voting shares	(10,000,000)	62,500,000	-	-	-	-	-	-
Shares issued for services	-	50,000	49,714	-	-	-	-	49,714
Special warrants proceeds received	-	-	-	-	7,306,000	-	-	7,306,000
Special warrants issuance costs	-	-	-	181,394	(547,026)	-	-	(365,632)
Special warrants converted to shares	-	10,000,000	6,758,974	-	(6,758,974)	-	-	-
Issuance of units for cash	-	6,250,000	3,686,000	-	-	-	-	3,686,000
Private placement issuance costs	-	-	(454,842)	134,813	-	-	-	(320,029)
Net loss	-	-	-	-	-	(221,974)	(18,732,903)	(18,954,877)
Balance, September 30, 2024	-	168,107,952	\$ 75,323,907	\$ 13,954,019	\$ -	\$ (1,142,932)	\$ (99,816,430)	\$ (11,681,436)

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

VERSES AI INC.

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars)

For the year ended	September 30, 2024	September 30, 2023
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (18,732,903)	\$ (16,133,570)
Items not involving cash		
Accretion expense	453,839	203,918
Depreciation	93,907	126,234
Fair value gain on derivative liability	(2,464,873)	-
Foreign exchange effect on convertible debenture	216,334	154,109
Interest expense	293,038	344,628
Issuance of shares for services and advisory units	49,714	61,049
Provision for contract settlement	1,252,076	-
Share based payments	1,961,724	965,393
	(16,877,144)	(14,278,239)
Net changes in non-cash working capital items:		
Accounts receivable	(55,000)	(535,000)
Contract assets and unbilled revenue	-	207,158
Tax receivable	(173,932)	(116,118)
Prepaid expenses	(255,289)	(597,432)
Deferred financing costs	80,993	-
Deferred grant	(50,847)	-
Deferred revenue	-	(65,000)
Accounts payable and accrued liabilities	1,112,197	(151,504)
Net cash used in operating activities	(16,219,022)	(15,536,135)
INVESTING ACTIVITIES		
Due from related parties	(398,099)	(300,287)
Investment in equipment	(30,579)	(110,865)
Net cash used in investing activities	(428,678)	(411,152)
FINANCING ACTIVITIES		
Deferred grant	226,877	-
Repayments of loans	(2,003,876)	(3,877)
Proceeds from issuance of units	1,643,693	7,491,999
Private placement issuance costs	(320,029)	(956,456)
Proceeds from issuance of convertible debenture	10,000,000	-
Proceeds from issuance of equity instruments	1,726,283	8,445,890
Proceeds from issuance of special warrants	7,306,000	10,026,270
Special warrants issuance costs	(365,632)	(802,169)
Lease payments	-	(66,128)
Net cash provided by financing activities	18,213,316	24,135,529
Foreign exchange effect on cash	(221,845)	(189,332)
Net change in cash during the period	1,343,771	7,998,910
Cash, beginning of the period	892,727	4,397,281
Cash, end of the period	\$ 2,236,498	\$ 12,396,191

Supplemental cash flow information (Note 19).

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

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

1. NATURE OF BUSINESS AND GOING CONCERN

Chromos Capital Corp. was incorporated under the Business Corporations Act (British Columbia) on November 19, 2020. On June 17, 2021, Chromos Capital Corp. changed its name to Verses Technologies Inc. On March 31, 2023, Verses Technologies Inc. changed its name to Verses AI Inc. ("VAI", "VERSES" or the "Company").

VERSES is a cognitive computing company specializing in biologically inspired distributed intelligence. Their flagship offering, Genius™, is patterned after natural systems and neuroscience. Key features of Genius™ include generalizability, predictive queries, real-time adaptation, and an automated computing network. Built on open standards, Genius™ transforms disparate data into knowledge models that foster trustworthy collaboration between humans, machines, and artificial intelligence, across digital and physical domains.

On June 28, 2022, the Class A Subordinate Voting Shares of the Company (the "Subordinate Voting Shares") were listed and started trading on the Cboe Canada Exchange ("Cboe Canada") ("Listing") under the symbol "VERS".

On October 4, 2022, the Company announced that the Company's Subordinate Voting Shares have commenced trading on the OTCQX® Best Market, an over-the-counter public market in the United States, under the ticker symbol "VRSSF". VERSES will continue to trade on Cboe Canada in Canada, as its primary listing.

The Company's head office and registered and records office is located at 205 - 810 Quayside Drive, New Westminster, British Columbia, V3M 6B9, Canada.

For the six months ended September 30, 2024, the Company incurred a net loss of \$18,732,903 (September 30, 2023 - \$16,133,570) which was funded by the issuance of convertible debenture, special warrants, issuance of units, and exercises of options and warrants. As of September 30, 2024, the Company has an accumulated deficit of \$99,816,430 (March 31, 2024 - \$81,083,527). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The necessity that the Company raise sufficient funds to carry out its growth plans are conditional, in part, on the continuation of its agreements and investor support. The material uncertainty raised by these events and conditions may cast substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not give effect to any adjustments, which would be necessary should the Company be unable to continue as a going concern. In such circumstances, the Company would be required to realize its assets and discharge its liabilities outside of the normal course of business, and the amounts realized could differ materially from those reflected in the accompanying condensed consolidated interim financial statements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the fiscal year ended March 31, 2024, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on November 14, 2024.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Basis of preparation

These condensed consolidated interim financial statements have been prepared on the historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial instruments, which are measured at fair value. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as of March 31, 2024. The condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2024.

c) Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. The results of the subsidiaries will continue to be included in the condensed consolidated interim financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the Company's principal subsidiaries at September 30, 2024 and March 31, 2024 are as follows:

<i>Name</i>	<i>Place of Incorporation</i>	<i>September 30, 2024 Interest</i>	<i>March 31, 2024 Interest</i>
Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU")	Wyoming, USA	100%	100%
Verses Operations Canada Inc. ("VOC")	British Columbia, CA	100%	100%
Verses Logistics Inc. ("VLOG")	Wyoming, USA	100%	100%
Verses Realities Inc. ("VRI")	Wyoming, USA	100%	100%
Verses Inc. ("VINC")	Wyoming, USA	100%	100%
Verses Health Inc. ("VHE")	Wyoming, USA	100%	100%
Verses Global BV ("VBV")	Netherlands	100%	100%
Verses Solutions Inc ("VSOL")	Wyoming, USA	100%	Nil

d) Significant accounting estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

d) Significant accounting estimates and judgments (continued)

The significant judgements made by management in the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the annual audited consolidated financial statements for the year ended March 31, 2024, with the exception of the following:

- Convertible Debenture – The convertible debenture included an option which can be settled in the Company's Class A Subordinate Voting Shares. The conversion feature was determined to a derivative instrument and is measured at fair value through profit or loss using the Monte Carlo simulation. The host liability is initially recognized using the residual value method, as the fair value, calculated at the net present value of the liability based upon non-convertible debt issued by comparable companies would have exceeded the principal value of the convertible debenture, and subsequently accounted for at amortized cost using the effective interest rate method. The conversion feature was determined to a derivative instrument and is measured at fair value through profit or loss using the Monte Carlo simulation..

3. DEFERRED GRANT

The Company's subsidiary, VBV, entered into a grant agreement (alongside other beneficiaries) with the Horizon Europe, which is delegated under the European Commission, to provide technical expertise on artificial intelligence.

Under the grant agreement, VBV received \$226,877 (€209,056) on July 24, 2024, upon the execution of the agreement. The funds under this agreement are to reimburse the Company for amounts spent on the project. The Company is required to submit their costs incurred related to the project and only approved expenses under the project are reimbursed.

Of the expenses incurred, \$30,456 (2024 - \$Nil) are outstanding in accounts payable and accrued liabilities, with \$176,030 (2024 - \$Nil) remaining in restricted cash. Grant income of \$56,034 was recognized during the period ended September 30, 2024.

Balance, March 31, 2023 and 2024	\$	-
Grant received		226,877
Expenses on the project		(56,034)
Exchange difference		5,187
Balance, end of the period		\$ 176,030

4. REVENUE

The Company recognized revenues from contracts with customers in accordance with the following timing under IFRS 15 *Revenue from Contracts with Customers*.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
Recognized at a point in time (1)	\$ 155,000	\$ 218,600	\$ 155,000	\$ 218,600
Recognized over the duration of contracts (2)	-	340,214	-	615,733
Total	\$ 155,000	\$ 558,814	\$ 155,000	\$ 834,333

(1) Includes revenues from completed Proof of Concept contracts ("POCs").

(2) Includes revenue from Software as a Service ("SaaS").

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

*(Expressed in United States dollars - Unaudited)***4. REVENUE (continued)**

On August 14, 2024, the Company announced the existing SaaS contract with its customer was voided by both parties. As a result, the Company has not recognized any revenues related to SaaS services in the current year, and has recorded a provision for the contract settlement for \$1,252,076 (Note 5).

5. CONTRACT ASSETS AND UNBILLED REVENUE

The Company's contract assets and unbilled revenues are summarized as follows:

	<i>Contract assets</i>	<i>Unbilled revenue</i>	<i>Total</i>
Balance, March 31, 2023	\$ 156,490	\$ 1,193,945	\$ 1,350,435
Additions	-	1,108,131	1,108,131
Invoiced	-	(1,050,000)	(1,050,000)
Costs recognized	(156,490)	-	(156,490)
Balance, March 31, 2024	\$ -	\$ 1,252,076	\$ 1,252,076
Provision for contract settlement (Note 4)	-	(1,252,076)	(1,252,076)
Balance, September 30, 2024	\$ -	\$ -	\$ -

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are summarized as follows:

	<i>September 30, 2024</i>	<i>March 31, 2024</i>
Accounts payable	\$2,362,119	\$2,782,502
Accrued liabilities	1,615,080	82,500
	\$3,977,199	\$2,865,002

7. LOANS PAYABLE

Loan activity consisted of the following:

<i>For the period ended</i>	<i>September 30, 2024</i>	<i>March 31, 2024</i>
Balance, beginning of the period	\$ 140,904	\$ 143,331
Repayment	(3,876)	(7,752)
Interest expense	2,632	5,325
Balance, end of the period	\$ 139,660	\$ 140,904

On June 5, 2020, the Company received a \$142,400 loan from the U.S. Small Business Administration. The loan is secured by all tangible and intangible personal property of VTU, and bears interest of 3.75% per annum and requires monthly payments of \$646 starting in June 2021 with a maturity of 30 years.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

*(Expressed in United States dollars - Unaudited)***8. SHARE BASED PAYMENTS**

The Company has an Omnibus Equity Incentive Plan (the "Plan") available to employees, directors, officers, and consultants with grants under the Plan approved from time to time by the Board of Directors. Under the Plan, the Company is authorized to issue options to purchase an aggregate of up to 25% of the Company's issued and outstanding Subordinate Voting Shares. Each option can be exercised to acquire one Subordinate Voting Share of the Company. The exercise price for an option granted under the Plan may not be less than the market price at the date of grant.

Options to purchase Subordinate Voting Shares have been granted to directors, employees, and consultants as follows:

Expiry date	<i>Weighted Average Remaining Contractual Life in Years</i>	<i>Exercise Price (CAD\$)</i>	<i>Outstanding</i>
June 15, 2027	2.71	0.80	2,800,000
September 16, 2027	2.96	1.00	665,000
April 28, 2028	3.58	1.65	100,000
December 15, 2028	4.21	1.35	9,734,305
April 15, 2029	4.54	1.14	252,500
July 3, 2029	4.76	1.07	4,313,700
	4.06	\$ 1.18	17,865,505

A summary of the Company's stock options as at September 30, 2024 and changes for the periods then ended is as follows:

	<i>Number of stock options</i>	<i>Weighted Average Exercise Price (CAD\$)</i>
Outstanding, March 31, 2023	6,980,000	0.80
Granted	10,000,000	1.35
Exercised	(2,333,750)	0.74
Outstanding, March 31, 2024	14,646,250	\$ 1.19
Granted	4,629,255	1.08
Exercised	(1,200,000)	0.83
Cancelled	(210,000)	1.35
Outstanding, September 30, 2024	17,865,505	1.18
Exercisable, September 30, 2024	11,037,730	\$ 0.85

During the period ended September 30, 2024:

- 1,000,000 stock options were exercised at an exercise price of CAD\$0.80 for the net proceeds of \$584,400. The original fair value of these stock options of \$513,376 was reclassified from contributed surplus to share capital upon exercise.
- 200,000 stock options were exercised at an exercise price of CAD\$1.00 for the net proceeds of \$145,260. The original fair value of these stock options of \$102,675 was reclassified from contributed surplus to share capital upon exercise.
- 210,000 stock options at an exercise price of CAD\$1.35 belonging to inactive employees were cancelled according to the Plan. The original fair value of these stock options of \$125,621 was reclassified from contributed surplus to share based payments upon cancellation.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

8. SHARE BASED PAYMENTS (continued)

On July 3, 2024, the Company granted 2,313,700 stock options to employees and independent contractors of the Company with a weighted average exercise price of CAD\$1.08, expiring in 5 years, with 25% vesting on the date that is one (1) year from the vesting start date and 6.25% every subsequent quarter. The stock options were fair valued at the end of the period at \$1,376,157 of which \$457,060 is recognized in the current period using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price at revaluation date	CAD\$1.07
Risk-free interest rate	3.57%
Expected life	5 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Grant date fair value per option	\$0.59

On July 3, 2024, the Company granted 2,000,000 stock options to strategic consultants of the Company with an exercise price of CAD\$1.07, expiring in 5 years, where 33.33% stock options vested on the grant date and 33.33% will vest every 6 months after the grant date. The stock options were fair valued at \$730,887 of which \$570,392 is recognized in the current period using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD\$0.72
Risk-free interest rate	3.57%
Expected life	5 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Grant date fair value per option	\$0.37

On April 15, 2024, the Company granted 115,000 stock options to employees and independent contractors of the Company with an weighted average exercise price of CAD\$1.23, expiring in 5 years, with 25% vesting on the date that is one (1) year from the vesting start date and 6.25% every subsequent quarter. The stock options were fair valued at \$72,423 of which \$23,392 is recognized in the current period using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD\$1.23
Risk-free interest rate	3.77%
Expected life	5 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Grant date fair value per option	\$0.63

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

(Expressed in United States dollars - Unaudited)

8. SHARE BASED PAYMENTS (continued)

On April 15, 2024, the Company granted 200,555 stock options to strategic consultants of the Company with an exercise price of CAD\$1.14, expiring in 5 years, where 50,185 stock options vested on the grant date, 15,000 stock options will vest on May 1, 2024, and 15,000 stock options will vest at the beginning of every calendar month thereafter; the balance of 370 stock options will vest 33.33% every 6 months after the grant date.

For the period ended September 30, 2024, the Company recognized \$53,395 as share-based payment for stock options granted in April 2024 for strategic consultants of the Company. The fair value of stock options is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price at revaluation date	CAD\$0.72
Risk-free interest rate	2.90%
Expected life	4.5 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Revaluation date fair value per option	\$0.34

On December 15, 2023, the Company granted 9,394,670 stock options to employees and strategic consultants of the Company with an exercise price of CAD\$1.35, expiring in 5 years, where 4,676,035 stock options are vested on the grant date, based on previous commitments, and 6.25% every subsequent quarter.

For the period ended September 30, 2024, the Company recognized \$538,965 as share-based payment for stock options granted in December 2023 using the graded vesting method over the vesting period.

On December 15, 2023, the Company granted 505,330 stock options to strategic consultants of the Company with an exercise price of CAD\$1.35, expiring in 5 years, where 33.33% stock options vested on December 30, 2024, and 33.33% every 6 months thereafter.

For the period ended September 30, 2024, the Company derecognized \$94,006 as share-based payment for stock options granted in December 2023. The fair value of stock options is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price at revaluation date	CAD\$0.72
Risk-free interest rate	2.90%
Expected life	4.2 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Revaluation date fair value per option	\$0.33

On April 28, 2023, the Company granted 100,000 stock options to a strategic consultant of the Company with an exercise price of CAD\$1.65, expiring in 5 years, where 50,000 stock options vest 6 months after the grant date and 50,000 vests 12 months after the grant date.

For the period ended September 30, 2024, the Company derecognized \$42,734 as share-based payment for stock options granted in April 2023 for strategic consultants of the Company. The fair value of stock options is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

VERSES AI INC.

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8. SHARE BASED PAYMENTS (continued)

Share price at revaluation date	CAD\$0.72
Risk-free interest rate	2.90%
Expected life	3.6 years
Expected volatility	100%
Expected forfeitures	0%
Expected dividends	Nil
Revaluation date fair value per option	\$0.28

Included in the Plan, the Company may grant RSUs to employees, directors, officers, and consultants. The RSUs can be settled at the election of the holder for Subordinate Voting Shares, cash, or a combination of Subordinate Voting Shares and cash. The RSUs were determined to be a liability instrument, and the fair value will be recognized as an expense using the graded vesting method over the vesting period.

On September 13, 2024, the Company granted 2,000,000 RSUs to a director of the Company with no exercise price or expiry date, vesting 666,672 within one year of the grant date and 8.33% every three months afterwards. The RSUs were fair valued on day of grant at \$1,066,752 based on the market price of one Subordinate Voting Share on the date of issuance of which \$33,469 is recognized in the current period using the graded vesting system.

On July 3, 2024, the Company granted 9,715,000 RSUs to a strategic consultant of the Company (50,000), directors (450,000), and employees of the Company (9,215,000), with no exercise price or expiry date, vesting 33.33% within one year of the grant date and 33.33% every one year afterwards. The RSUs were fair valued on the day of grant at \$7,700,653 based on the market price of one Subordinate Voting Share on the date of issuance of which \$772,136 is recognized in the current period using the graded vesting system.

On June 20, 2024, the Company granted 1,000,000 RSUs to a strategic investor of the Company, with no exercise price or expiry date, vesting equal installments of 10,000 RSU's for every CAD\$100,000 in revenue derived by the Company from commercial agreements it enters into with affiliates of the strategic investor. No value was attributed to these RSUs as the vesting is still uncertain.

On April 15, 2024, the Company granted 50,000 RSUs to a strategic consultant of the Company, with no exercise price or expiry date, vesting 100% on the grant date.

For the period ended September 30, 2024, the Company revalued the RSUs granted on April 15, 2024 based on the market price of one Subordinate Voting Share on the revaluation date. The Company recognized \$26,668 as share-based payment for RSUs in the current period.

On November 15, 2023, the Company granted 150,000 RSUs to a strategic consultant of the Company, with no exercise price, with expiry date of 10 years from the grant date, vesting 33.33% on the grant date, 33.33% on December 28, 2023, and 33.33% on March 28, 2024.

For the period ended September 30, 2024, the Company revalued the RSUs granted on November 15, 2023. The RSUs were fair valued at \$80,006 (March 31, 2024 - \$142,449) based on the market price of one Subordinate Voting Share on the revaluation date. The Company derecognized \$78,016 as share-based payment for RSUs in the current period.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended September 30, 2024 and 2023

*(Expressed in United States dollars - Unaudited)***8. SHARE BASED PAYMENTS (continued)**

During the year ended March 31, 2023, 500,000 RSUs were granted to a director, with no exercise price or expiry date, vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter (Note 8). The RSUs were fair valued on day of grant at \$309,400 based on the market price of one Subordinate Voting Share on the date of issuance. At September 30, 2024, the RSUs were valued at a fair value of \$244,945 (March 31, 2024 - \$433,765) based on the market price of one Subordinate Voting Share on revaluation date and the Company derecognized \$173,376 as share-based payment for RSUs in the current period.

	<i>Number of RSUs</i>
Balance, March 31, 2023	500,000
Issued, November 15, 2023	150,000
Balance, March 31, 2024	650,000
Issued, April 15, 2024	50,000
Issued, June 20, 2024	1,000,000
Issued, July 3, 2024	9,715,000
Issued, September 13, 2024	2,000,000
Balance, September 30, 2024	13,415,000
Exercisable, September 30, 2024	700,000

A reconciliation of share based payments is as follows:

Share based payments	<i>Stock Options</i>	<i>RSUs</i>	<i>Modification of broker's warrants</i>	<i>Total</i>
Previous year graded vesting	418,450	-	-	418,450
New grants April 2023	53,067	-	-	53,067
Revaluation RSUs 2023	-	53,272	-	53,272
Modification of broker's warrants	-	-	440,604	440,604
Balance, September 30, 2023	\$ 471,517	\$ 53,272	\$ 440,604	\$ 965,393
Previous years graded vesting	402,225	-	-	402,225
Revaluation RSUs 2023	-	(251,392)	-	(251,392)
New grants April 2024	76,787	26,668	-	103,455
New grants July 2024	1,027,452	805,605	-	1,833,057
Cancelled options	(125,621)	-	-	(125,621)
Balance, September 30, 2024	\$ 1,380,843	\$ 580,881	\$ -	\$ 1,961,724

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties consist of the directors, executive officers, and companies controlled by them. Transactions are measured at the exchange amount, which is the amount agreed to by the parties.

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and senior officers.

VERSES AI INC.

Notes to the Condensed Consolidated Interim Financial Statements

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9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

During the three and six months ended September 30, 2024 and 2023, related party transactions were as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
Management fees	\$ 59,455	\$ -	\$ 84,581	\$ -
Management salaries and benefits included in personnel expenses	464,884	455,970	770,635	727,507
Share-based payments (Note 8)	34,914	(90,197)	(67,827)	225,288
	<u>\$ 559,253</u>	<u>\$ 365,773</u>	<u>\$ 787,389</u>	<u>\$ 952,795</u>

Included in accounts payable and accrued liabilities at September 30, 2024 were amounts totaling \$42,500 (March 31, 2024 – \$21,073) due to the a former director of the Company, for services provided as Chairman Emeritus and International Director of Global Partnerships, and \$5,000 (March 31, 2024 - \$Nil) due to the new Chairman of the Company.

Included in due from related parties at September 30, 2024 were amounts totaling \$2,268,857 (March 31, 2024 - \$1,872,334) due from companies controlled by key management personnel. These amounts are unsecured and interest-free.

Also, included in due from related parties, is a loan of \$66,512 (March 31, 2024 - \$64,936) to a key member of the management team that is unsecured and has an annual interest rate of 5% and requires principal and interest to be paid in full by May 1, 2033. No repayments were made in the period ended September 30, 2024.

On December 15, 2023, the Company granted 50,000 stock options to the Chief Operating Officer of the Company with an exercise price of CAD\$1.35, expiring in 5 years, where 25% stock options will vest within one year of the grant date, and 6.25% every subsequent quarter. The stock options were fair valued at \$38,203 of which \$3,685 (September 30, 2023 - \$nil) is recognized in the current period using the Black-Scholes option pricing model (Note 8).

On July 3, 2024, the Company granted 100,000 stock options to the Chief Operating Officer and 50,000 to the Chief Financial Officer of the Company with an exercise price of CAD\$1.07, expiring in 5 years, where 25% stock options will vest within one year of the grant date, and 6.25% every subsequent quarter. The stock options were fair valued at \$89,355 of which \$28,656 (September 30, 2023 - \$nil) is recognized in the current period using the Black-Scholes option pricing model (Note 8).

On July 3, 2024, the Company granted 50,000 RSUs to the Chief Financial Officer and 450,000 to the independent directors of the Company, with no exercise price or expiry date, vesting 33.33% within one year of the grant date and 33.33% every one year afterwards. The RSUs were fair valued on day of grant at \$266,688 based on the market price of one Subordinate Voting Share on September 30, 2024, of which \$39,739 is recognized in the current period using the graded vesting system.

At September 30, 2024, the RSUs granted to a director in the year ended March 31, 2023, were valued at a fair value of \$266,688 (September 30, 2023 - \$347,716) based on the market price of one Subordinate Voting Share on revaluation date, of which \$105,104 (September 30, 2023 - \$45,179) is derecognized in the current period.

At September 30, 2024, the stock options granted in prior periods to the directors recognized as an expense in the current period using the graded vesting method over the vesting period is \$Nil (September 30, 2023 - \$164,918).

VERSES AI INC.

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10. COMMITMENTS

The Company has an obligation to pay royalties to Cyberlab, LLC (“Cyberlab”) (a company controlled by a director and officer). Cyberlab shall be entitled to receive a share of the gross revenue derived from the sales, licensing, and other commercial activities involving Spatial Domain Names, pursuant to the following schedule:

- Years 1 through 10 of the Spatial Domain Program: Cyberlab shall be entitled to retain Five Percent (5%) of all gross revenue from the Spatial Domain Program, while VERSES shall retain the remaining Ninety-Five Percent (95%) to allocate between itself and other Spatial Domain Program stakeholders (e.g., registries, registrars, etc.) as it sees fit.
- Years 11 through 14 of the Spatial Domain Program: Cyberlab shall be entitled to retain Four Percent (4%) of all gross revenue from the Spatial Domain Program, while VERSES shall retain the remaining Ninety-Six Percent (96%).
- Years 15 through 17 of the Spatial Domain Program: Cyberlab shall be entitled to retain Three Percent (3%) of all gross revenue from the Spatial Domain Program, while VERSES shall retain the remaining Ninety-Seven Percent (97%).
- Years 18 and 19 of the Spatial Domain Program: Cyberlab shall be entitled to retain Two Percent (2%) of all gross revenue from the Spatial Domain Program, while VERSES shall retain the remaining Ninety-Eight Percent (98%).
- Years 20 to 25 of the Spatial Domain Program: Cyberlab shall be entitled to retain One Percent (1%) of all gross revenue from the Spatial Domain Program, while VERSES shall retain the remaining Ninety-Nine Percent (99%).

As of September 30, 2024, no amounts are payable under the royalty agreement.

The Company is obligated to grant stock options (“Options”), deferred share units (“DSU”), or restricted stock units (“RSU”) to qualifying consultants and employees based on their respective contracts, to be determined at grant date based on the market price of the Company’s shares. As at September 30, 2024 the outstanding commitment balance is 37,500 (March 31, 2024 – 8,965,855) to be granted as options, RSUs or DSUs.

The Company has also entered into severance agreements with executives of the Company. In the case of involuntary termination or a change in control, the executives are entitled to a monetary payment equal to 12 month’s worth of base salary, continuation for 12 months of medical and dental insurance, and immediate, accelerated vesting of all stock options, equity, and related compensation.

11. SHARE CAPITAL**a) Authorized shares**

Effective July 20, 2021, the Company amended its Articles to create an unlimited number of Class A Subordinate Voting Shares and unlimited number of Class B Proportionate Voting Shares. Each Subordinate Voting Share shall entitle the holder thereof to one vote. Each Class B share shall entitle the holder thereof to 6.25 votes and such proportionate dividends and liquidation rights. Each Class B share is convertible, at the option of the holder, into 6.25 Subordinate Voting Shares.

On May 30, 2024, 10,000,000 Class B Proportionate Voting Shares were converted into 62,500,000 Subordinate Voting Shares

VERSES AI INC.

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11. SHARE CAPITAL (continued)

b) Issued

During the period ended September 30, 2024, the following equity instruments were exercised for gross proceeds of CAD\$2,328,599:

- 585,600 warrants with an exercise price of CAD\$1.00.
- 978,749 warrants with an exercise price of CAD\$0.80.
- 1,000,000 stock options with an exercise price of CAD\$0.80.
- 200,000 stock options with an exercise price of CAD\$0.80.

The reclassification from contributed surplus from the exercises of warrants and stock options was \$987,543.

On April 9, 2024, 50,000 shares were issued to a strategic consultant of the Company. The shares were fair valued at \$49,714 considering the share price of CAD\$1.35 stated in the consulting agreement.

In July and August 2024, the Company converted 10,000,000 Special Warrants units into 10,000,000 Subordinate Voting Shares and 4,999,998 warrants (Note 12).

On September 26, 2024, the Company closed the first tranche offering of 6,250,000 units (the "Units") of the Company, for gross proceeds of \$3,686,000 (the "LIFE Offering"), of which \$2,042,307 was fully received subsequent of September 30, 2024.

Each Unit consists of one Class A Subordinate Voting share of the Company (a "Share") and one-half of one Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Share (each, a "Warrant Share") at an exercise price of \$1.20 per Share, subject to adjustment in certain circumstances, for a period of 36 months from September 26, 2024 (the "Closing Date").

In connection with the Offering, the Company: (i) paid to certain finders and advisors an aggregate cash commission of \$278,772; (ii) issued to certain finders and advisors an aggregate of 285,187 compensation warrants (the "Compensation Warrants"), and (iii) incurred in legal fees of \$41,257. Each Compensation Warrant will be exercisable into one Unit at the Offering Price for a period of 36 months following the Closing Date.

12. WARRANTS

In connection with the issuance of Life Offering the Company issued 3,125,000 warrants and 285,187 Compensation Warrants (Note 11).

The total fair value of the broker warrants was \$134,813, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price at grant date	CAD\$0.73
Risk-free interest rate	2.90%
Expected life	3 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividends	Nil

On April 18, 2024, the Company announced a non-brokered private placement of special warrants ("Special Warrants") for gross proceeds of up to CAD\$10,000,000 through the sale of 10,000,000 Special Warrants at a price of CAD\$1.00 per Special Warrant.

VERSES AI INC.

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12. WARRANTS (continued)

Each Special Warrant shall convert into one Unit of the Company (a "Unit") at no additional cost upon the earlier of: (i) the Company obtaining a receipt from the applicable securities commission(s) in Canada for the final prospectus qualifying the distribution of the Units to be issued upon exercise or deemed exercise of the Special Warrants; and (ii) the date that is four months and a day after date of issuance of the Special Warrants.

Each Unit is comprised of one Subordinate Voting Share (a "Unit Share"), and one-half of one Class A Subordinate Voting Share purchase warrant (each full warrant, a "Unit Warrant"). Each Unit Warrant shall be exercisable into one Subordinate Voting Share (a "Unit Warrant Share") at a price of CAD\$1.50 per Unit Warrant Share for a period of two (2) years from the date of issue of the Unit Warrants.

The proceeds received from the Special Warrants are to be used for general corporate and working capital purposes, for the continued development of Genius™ and the release of the Genius beta program, and the repayment of outstanding loans. In particular, US\$2,000,000 of the proceeds received will be used to repay the outstanding principal amount of loans accepted by VTU, from two arms'-length investors (Note 16). All securities issued pursuant to the Private Placement will be subject to a four-month hold period from the date of issue.

The Company completed the issuance of 10,000,000 Units for gross proceeds of CAD\$10,000,000 and paid fees to eligible finders consisting of: (i) CAD\$317,286; and (ii) 316,536 finder warrants (the "Finder Warrants"). Each Finders Warrant will be exercisable into one unit (a "Finder Unit") at a price of CAD\$1.00 per Finder Unit until the date that is two (2) years from the date of issue of the Finder Warrants, which Finder Unit will be comprised of a Subordinate Voting Share and one-half of one Subordinate Voting Share purchase warrant (each, whole warrant, a "Finder Unit Warrant"). Each Finder Unit Warrant shall be exercisable into one Subordinate Voting Share (a "Finder Unit Warrant Share") at a price of CAD\$1.50 per Finder Unit Warrant Share for a period of two (2) years from the date of issue of the Finder Unit Warrants.

The total fair value of the broker warrants was \$181,394, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Share price at grant date (based on the announcement date)	CAD\$1.02
Risk-free interest rate	4.25%
Expected life	2 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividends	Nil

In July and August 2024, the Company converted 10,000,000 Special Warrants units into 10,000,000 Subordinate Voting Shares and 4,999,998 warrants (Note 11). Each warrant is exercisable at CAD\$1.50 within 2 years of the issuance date.

In connection with the issuance of convertible debenture (Note 13) the Company issued 6,890,000 warrants. Because the unit price of the convertible debenture (CAD\$1.00) is lower than the price of the units on announcement date (CAD\$1.02), there is no value to be allocated to the warrants according to the residual value method.

VERSES AI INC.

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*(Expressed in United States dollars - Unaudited)***12. WARRANTS (continued)**

Warrants outstanding as at September 30, 2024 are summarized below:

	<i>Number of warrants</i>	<i>Weighted Average Exercise Price (CAD\$)</i>
Balance, March 31, 2023	26,188,410	\$ 0.99
Issued	9,134,608	2.78
Exercised	(11,615,371)	1.31
Balance, March 31, 2024	23,707,647	\$ 1.52
Issued	15,616,721	1.42
Exercised	(1,564,349)	0.87
Expired	(45)	0.80
Balance, September 30, 2024	37,759,974	\$ 1.51

As of September 30, 2024, the Company's outstanding share purchase warrants expire as follows:

Expiry date	Weighted Average Remaining Contractual Life in Years	Exercise Price (CAD\$)	Outstanding
April 3, 2025	0.51	1.20	3,153
April 20, 2025	0.55	1.20	5,250
June 2, 2025	0.67	1.20	31,038
June 16, 2025	0.71	1.20	27,465
July 10, 2025	0.78	1.20	2,660
August 15, 2025	0.87	1.20	223,512
August 15, 2025	0.87	0.80	1,151,892
August 15, 2025	0.87	1.00	10,675,599
August 25, 2025	0.90	1.20	4,977
April 15, 2026	1.54	0.40	1,250,000
April 17, 2026	1.55	1.00	90,400
April 29, 2026	1.58	1.00	180,160
May 16, 2026	1.62	1.00	45,976
July 6, 2026	1.76	2.05	789,127
July 6, 2026	1.76	2.55	7,956,740
August 17, 2026	1.88	1.50	3,499,998
August 30, 2026	1.92	1.50	1,162,650
September 17, 2026	1.96	1.50	337,350
December 22, 2026	2.23	1.20	21,840
June 20, 2027	2.72	1.50	6,890,000
September 26, 2027	2.99	0.80	285,187
September 26, 2027	2.99	1.20	3,125,000
	1.77	\$ 1.51	37,759,974

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13. CONVERTIBLE DEBENTURE

On June 20, 2024 the Company entered into a funding agreement with Group 42 Holding Ltd (“G42”), a leading UAE-based AI technology group (the “Strategic Investment”).

Pursuant to the Strategic Investment, G42 has invested \$10,000,000 via a private placement of unsecured convertible debenture units of VERSES (the “Units”). Each Unit will consist of: (i) CAD\$1,000 in principal amount of unsecured convertible debenture (“Convertible Debenture”); and (ii) 500 detachable share purchase warrants (the “Warrants”) to purchase Subordinate Voting Shares. The Convertible Debenture shall bear interest at a rate of 10% per annum and mature on June 20, 2026 (the “Maturity Date”).

The principal amount of the Convertible Debenture (the “Principal Amount”), together with all accrued interest (collectively, the “Convertible Amount”), shall be convertible, for no additional consideration, on the earliest to occur of: (A) the date on which the Company completes an equity financing, in one or more tranches, for aggregate gross proceeds of at least CAD\$15,000,000 at a price per Subordinate Voting Share of not less than CAD\$1.00 (an “Equity Financing”), (B) the date on which G42 elects to convert the Convertible Debenture, and (C) the Maturity Date.

In the event of a conversion of the Convertible Debenture: (i) on the Maturity Date or at the election of G42, the Convertible Amount shall be converted into such number of Subordinate Voting Shares as is equal to the Convertible Amount divided by CAD\$1.20 per Share; and (ii) in connection with an Equity Financing, the Convertible Amount shall be converted into such number of Subordinate Voting Shares as is equal to the Convertible Amount divided by the issue price per Subordinate Voting Share sold pursuant to the Equity Financing, multiplied by 80%, provided that, in no event shall such conversion price be greater than CAD\$1.20.

If the conversion occurs prior to the Maturity Date, the Holder shall be entitled to all accrued and outstanding unpaid interest, plus an amount equal to the amount of interest that would have otherwise accrued on the Principal Amount to the Maturity Date but for such prior Conversion.

Each Warrant will be exercisable into one Subordinate Voting Share at a price of CAD\$1.50 per share until June 20, 2027 (the “Expiry Date”), subject to acceleration. If at any time prior to the Expiry Date, the volume-weighted average trading price of the Subordinate Voting Shares on Cboe Canada (or such other principal exchange or market where the Subordinate Voting Shares are then listed or quoted for trading) exceeds CAD\$5.55, as adjusted in accordance with the terms of the certificate representing the Warrants (the “Warrant Certificates”), for a period of 10 consecutive trading days, Verses may, at its option, accelerate the Expiry Date to the date that is 30 days following the written notice to G42, in the form of a press release or other form of notice permitted by the Warrant Certificates.

In connection with commercial agreements that may be entered into between VERSES and affiliates of G42, G42 will also receive 1,000,000 restricted stock units (“RSUs”) of VERSES, each vested RSU to be settled through the issuance of one (1) Subordinate Voting Share. The RSUs will vest in installments of 10,000 RSUs for every CAD\$100,000 of revenue derived by VERSES from such commercial agreements.

A reconciliation of convertible debenture is as follows:

Balance, March 31, 2024	\$ -
Fair value of derivative liability (1)	2,926,151
Host liability (2)	4,608,976
Foreign exchange effect on convertible debenture	216,334
Accretion expense	453,839
Interest payable	290,406
<u>Balance, September 30, 2024</u>	<u>\$ 8,495,706</u>

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13. CONVERTIBLE DEBENTURE (continued)

(1) The Company measured the embedded derivative liability using the Monte-Carlo binomial model, with the following assumptions: share price of CAD\$0.72 (issuance date CAD\$1.12) based on the market price of the Company's shares; risk-free interest rate of 3.96% (issuance date 4.63%) based on the Canadian bond yield rate; expected volatility of 100% based on comparable publicly listed entities; and an expected life between 0.2083 and 1.722 years (issuance date 0.20 and 2.0 years) based on management's estimate of the probability of the conversion feature being exercised. The changes in the estimates resulted in a gain on the fair value of derivative liability of \$2,464,873.

(2) IFRS 9 requires entities to calculate the fair value of the embedded derivative first, with the residual value being assigned to the host liability. Subsequently, the derivative liability is measured at FVTPL, while the host debt liability component is measured at amortized cost.

14. PREPAID EXPENSES

Prepaid expenses consisted of the following:

	<i>September 30, 2024</i>	<i>March 31, 2024</i>
Deposit	\$ 13,375	\$ 59,535
Retainer	245,080	126,153
Prepaid insurance	345,807	107,663
Subscriptions	445,378	501,000
Balance, end of the period	\$ 1,049,640	\$ 794,351

15. EQUIPMENT

<i>Cost</i>	<i>Equipment</i>
Balance, March 31, 2023	365,017
Additions	185,155
Balance, March 31, 2024	\$ 550,172
Additions	30,579
Balance, September 30, 2024	\$ 580,751
<i>Accumulated depreciation</i>	<i>Equipment</i>
Balance, March 31, 2023	130,177
Additions	152,736
Balance, March 31, 2024	\$ 282,913
Additions	93,907
Balance, September 30, 2024	\$ 376,820
Net book value, March 31, 2024	\$ 267,259
Net book value, September 30, 2024	\$ 203,931

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16. PROMISSORY NOTES

On March 11, 2024, the Company's wholly owned subsidiary VTU, has accepted an interest free loan in the amount of \$2,000,000 from two arms-length investors for \$1,000,000 each. The loan matures on the earlier of (i) March 10, 2025; and (ii) the date the Company completes a bona fide transaction or series of transactions with the principal purpose of raising capital, pursuant to which the Company issues and sells its securities to one or more bona fide third parties. On the maturity date, the Company may elect to repay loan by way of cash, or through the issuance of Subordinate Voting Shares in the capital of the Company at a per share price equal to the price of the securities issued in the Equity Financing, subject to the approval of CBOE Canada Inc.

On April 18, 2024, the promissory notes were settled through the issuance of Special Warrants (Note 12).

17. FINANCIAL INSTRUMENTS

As of September 30, 2024, the Company's financial instruments consist of cash and restricted cash, accounts receivable, share subscription receivable, due from related parties, accounts payable and accrued liabilities, restricted share unit liability, provision for legal claim, convertible debenture, and loans payable.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
- Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).
- Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The fair value of cash and restricted cash, accounts receivable, share subscription receivable, due from related parties, accounts payable and accrued liabilities, promissory notes, provision for legal claim, and loans payable are measured using Level 1 inputs, the fair value of restricted share unit liability and convertible debentures are measured using Level 2 and Level 3 inputs.

The carrying value of the Company's other financial instruments approximate their fair values due to their short-term maturities.

There were no transfers between the levels of the fair value hierarchy during the period.

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*(Expressed in United States dollars - Unaudited)***17. FINANCIAL INSTRUMENTS (continued)**

<i>As of September 30, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets:				
Cash and restricted cash	\$ 2,236,498	\$ -	\$ -	\$ 2,236,498
Shares subscription receivable	\$ 2,042,307	\$ -	\$ -	\$ 2,042,307
Due from related parties	\$ 2,335,369	\$ -	\$ -	\$ 2,335,369
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,977,199	\$ -	\$ -	\$ 3,977,199
Convertible debenture	\$ -	\$ 5,569,555	\$ 2,926,151	\$ 8,495,706
Provision for legal claim	\$ 6,307,258	\$ -	\$ -	\$ 6,307,258
Restricted share unit liability	\$ -	\$ 1,157,224	\$ -	\$ 1,157,224
Loans payable	\$ 139,660	\$ -	\$ -	\$ 139,660

<i>As of March 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets:				
Cash	\$ 892,727	\$ -	\$ -	\$ 892,727
Accounts receivable	\$ 100,000	\$ -	\$ -	\$ 100,000
Due from related parties	\$ 1,937,270	\$ -	\$ -	\$ 1,937,270
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,865,002	\$ -	\$ -	\$ 2,865,002
Promissory notes	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Provision for legal claim	\$ 6,307,258	\$ -	\$ -	\$ 6,307,258
Restricted share unit liability	\$ -	\$ 576,214	\$ -	\$ 576,214
Loans payable	\$ 140,904	\$ -	\$ -	\$ 140,904

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash, accounts receivable, and due from related parties. To minimize the credit risk, the Company places its cash with large financial institutions.

Amounts due from related parties of \$2,335,369 (March 31, 2024 - \$1,937,270) are due from companies controlled by key management personnel. These amounts are expected to be settled through future services agreements, and as such, credit risk is assessed as low. As of September 30, 2024, management assessed that there is no need to provide a credit loss allowance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations, cash holdings, and anticipated future financing transactions.

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For the six months ended September 30, 2024 and 2023

*(Expressed in United States dollars - Unaudited)***17. FINANCIAL INSTRUMENTS (continued)**

Contractual cash flow requirements as of September 30, 2024, were as follows:

	<i><1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>>5 years</i>	<i>Total</i>
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,977,199	-	-	-	3,977,199
Convertible debenture	-	10,286,195	-	-	10,286,195
Loans payable	7,752	7,752	23,256	100,900	139,660
Total	3,984,951	10,293,947	23,256	100,900	14,403,054

As of September 30, 2024, the Company had a working capital deficit of \$12,947,693 (March 31, 2024 - \$7,270,243).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets denoted in Euros and Canadian dollars and is therefore exposed to exchange rate fluctuations. As of September 30, 2024, the Company had the equivalent of \$6,808,930 (March 31, 2024 - \$552,476) net financial liabilities denominated in Canadian dollars and \$214,040 (March 31, 2024 - \$117,648) in net financial assets denominated in Euros.

The foreign exchange risk exposure of the Company financial instruments as at September 30, 2024 is as below:

Financial Instrument Type	Currency CAD\$	<i>+/- 10% fluctuation</i>	
		Increase/(decrease) \$ impact	
Cash	1,457,437	107,967	(107,967)
Shares subscription receivable	2,756,894	204,231	(204,231)
Tax receivable	740,776	54,877	(54,877)
Prepaid expenses	1,009,244	74,765	(74,765)
Accounts payable and accrued liabilities	(2,125,258)	(157,439)	157,439
Convertible debenture	(11,466,695)	(849,571)	849,571
Restricted share unit liability	(1,562,128)	(115,722)	115,722
	(9,189,730)	(680,892)	680,892

Financial Instrument Type	Currency EURO	<i>+/- 10% fluctuation</i>	
		Increase/(decrease) \$ impact	
Restricted cash	219,301	24,437	(24,437)
Tax receivable	116	13	(13)
Accounts payable and accrued liabilities	(27,331)	(3,046)	3,046
	192,086	21,404	(21,404)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest earned on cash balances approximate fair value rates, and the Company is not subject to significant risk due to fluctuating interest rates. As of September 30, 2024, the Company does not hold any liabilities that are subject to fluctuations in market interest rates.

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17. FINANCIAL INSTRUMENTS (continued)*Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

18. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of their technology. The Company considers the items in shareholders' equity as capital. There has been no change to what the Company considers capital from the prior year. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue Subordinate Voting Shares, dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

19. SUPPLEMENTAL CASH FLOW INFORMATION

The supplemental cash paid and received by the Company as at September 30, 2024 is as below:

	<i>For six months ended</i>	
	<i>September 30,</i>	
	<i>2024</i>	<i>2023</i>
Cash paid for interest	\$ 6,843	\$ 2,670
Cash received for interest	\$ 49,970	\$ 178,186

20. SEGMENTED NOTE

All of the Company's non-current assets as of September 30, 2024 and March 31, 2024 and all of the Company's revenue for the period ended September 30, 2024 and 2023 were in the United States.

The operating segments have been disclosed by geographical region for the three and six months ended September 30, 2024 and 2023 as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>September 30</i>		<i>September 30</i>	
<i>Total net (income) loss by country</i>	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
United States	\$ 5,579,292	\$ 4,444,608	\$ 12,183,596	\$ 7,924,787
Canada	2,754,016	3,466,690	6,477,756	8,034,641
Netherlands	-	83,769	71,551	174,142
Total net loss by country	\$ 8,333,308	\$ 7,995,067	\$ 18,732,903	\$ 16,133,570

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Notes to the Condensed Consolidated Interim Financial Statements

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21. PROVISION FOR LEGAL CLAIM

On July 13, 2022, David Thomson, a former independent contractor, filed a lawsuit against VTU, Cyberlab LLC, and two directors/officers of the Company in Los Angeles Superior Court. The claim alleged violations of various sections of the California Corporations code, breach of contract, breach of the implied covenant of good faith and fair dealing, and unjust enrichment. Plaintiff claims as much as \$5,000,000 in damages, subject to proof.

On September 1, 2022, the Company filed an answer denying any wrongdoing, and also made its own counterclaim against Mr. Thomson. The cross-claims against David Thomson included: (i) misappropriation of trade secrets; (ii) breach of contract; (iii) violation of the California Computer Data Access and Fraud Act ("CDAFA"); and (iv) violation of the Economic Espionage Act, after the Company voluntarily dismissed three cross-claims (alleging violation of the Computer Fraud and Abuse Act, conversion, violation of the Stored Communications Act, respectively). The Company, for its part, sought to recover both compensatory and punitive damages from Mr. Thomson, as well as restitution of any ill-gotten gains and an award of reasonable attorneys' fees. The CDAFA claim was dismissed on Summary Judgment, but the claims for trade secret misappropriation, breach of contract and unjust enrichment were allowed.

On March 30, 2023, arbitration was conducted via a single arbitrator at the American Arbitration Association. The CDAFA claim was dismissed on Summary Judgment, but the claims for trade secret misappropriation, breach of contract and unjust enrichment were upheld. Depositions were taken by both sides in December 2023 and early 2024, with final pre-trial witness and evidentiary exhibits being submitted on January 22, 2024.

A final arbitration award was issued in this action on May 17, 2024. The final award imposes liability against: (i) Verses Technologies USA, Inc., a subsidiary of the Company, jointly and severally with Cyberlab, LLC (a company owned by the Company's president, Dan Mapes), in the amount of \$6,307,258, inclusive of interest; and (ii) Cyberlab, VTU and its principals, Gabriel René and Daniel Mapes, jointly and severally, for damages in the amount of \$1,900,000, interest of \$709,973, costs of \$64,303 and the fees of plaintiff's counsel totaling \$920,231. To resolve their part of joint and several liability, Mr. René and Mr. Mapes are working toward satisfying the portion of the award that applies to them as individuals. The remaining liability belongs to VTU, a subsidiary of the company. The Company has received \$1,666,000 of insurance proceeds for the matter, and initial good faith payments of \$125,000 have been made to the claimant. Although no settlement has been reached, VTU, for its part, is vigorously pursuing settlement negotiations. However, the likelihood of a favourable or unfavourable outcome, or an estimate of the amount or range of potential loss, which is isolated to VTU, is not reasonably foreseeable at this time.

From time to time the Company may be named as a defendant and as a plaintiff in various legal actions arising from the operations of the Company and previous affiliates of the Company. Currently, based upon information available to the Company, the Company does not believe any such matters would have a material adverse effect upon our financial condition or results of operations as at September 30, 2024, except those amounts already reflected in the consolidated financial statements. However, due to the inherent uncertainty of litigation, the Company cannot provide certainty as to their outcome. If the Company's current evaluations are materially incorrect or if the Company is unable to resolve any of these matters favourably, there may be a material adverse impact on our financial performance, cash flows or results of operations.

Included in accrued liabilities is the net balance for the proceeds of the funds received by the Directors and Officers insurance ("D&O") by \$1,541,000 (March 31, 2024 - \$Nil).

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22. SUBSEQUENT EVENTS

On November 6, 2024, the Company announced that it intends to complete a non-brokered private placement of up to 6,800,000 units of the Company (the "LIFE Units") at a price of CAD\$0.50 per Unit for aggregate gross proceeds of up to CAD\$3.4 million (the "LIFE Offering") and a non-brokered private placement of up to 3,200,000 special warrants (the "Special Warrants") of the Company, each exercisable for one unit of the Company (each, an "Equity Unit", and together with the LIFE Units, the "Units") at no additional cost, for aggregate gross proceeds of up to CAD\$1.6 million (the "Special Warrant Offering", and together with the LIFE Offering, the "Offering").

Each Unit will consist of one Class A Subordinate Voting share of the Company (a "Share") and one-half of one Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Share (each, a "Warrant Share") at an exercise price of CAD\$0.70 per Share, subject to adjustment in certain circumstances, for a period of 36 months from the Closing Date.

On November 8, 2024, the Company announced that it closed its previously announced non-brokered private placement of 3,600,000 Special Warrants of the Company (the "Special Warrants") at a price of CAD\$0.50 (the "Offering Price") per Special Warrant for aggregate gross proceeds of CAD\$1.8 million (the "Special Warrant Offering"). The Company's decision to increase the size of the Special Warrant Offering from CAD\$1.6 million to CAD\$1.8 million was accepted by Cboe Canada (the "Exchange") prior to closing.

In connection with the Offering, the Company: (i) paid to certain finders and advisors an aggregate cash commission of CAD\$91,325; and (ii) issued to certain finders and advisors an aggregate of 182,650 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant will be exercisable into one Equity Unit at the Offering Price for a period of 36 months following November 8, 2024.

On November 8, 2024, the Company closed the first tranche of its previously announced non-brokered private placement of 5,807,700 units of the Company (the "LIFE Units") at a price of CAD\$0.50 per LIFE Unit (the "Offering Price") for aggregate gross proceeds of CAD\$2,903,850 (the "LIFE Offering").

In connection with the Offering, the Company: (i) paid to certain finders and advisors an aggregate cash commission of CAD\$103,675; and (ii) issued to certain finders and advisors an aggregate of 207,350 compensation warrants (the "Compensation Warrants"). Each Compensation Warrant will be exercisable into one Equity Unit at the Offering Price for a period of 36 months following the Closing Date.