VERSES TECHNOLOGIES INC.
(Formerly, Chromos Capital Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 and 2021
(Expressed in United States dollars)

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Independent Auditor's Report

To the Shareholders of Verses Technologies Inc. (Formerly, Chromos Capital Corp.)

Opinion

We have audited the consolidated financial statements of Verses Technologies Inc. (Formerly, Chromos Capital Corp.) (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2022 and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Group 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of Verses Technologies Inc. (Formerly, Chromos Capital Corp.) for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2022.

Other Information

Management is responsible for the other information. The other information comprises:

- 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 identified above 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
June 30, 2022

VERSES TECHNOLOGIES INC. (Formerly, Chromos Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in United States dollars)

As at	Notes	March 31, 2022	March 31, 2021
ASSETS			
CURRENT			
Cash		$ 6,369,903	$ 136,172
Restricted cash	3	94,088	735,113
Accounts receivable	10	329,254	5,690
Contract assets and unbilled revenue	5	1,402,035	-
Tax receivable		26,553	12,272
Prepaid expenses	14	354,581	20,000
		8,576,414	909,247
Equipment	16	231,907	-
Right-of-use asset	17	220,067	-
TOTAL ASSETS		$ 9,028,388	$ 909,247
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6, 10	$ 619,962	$ 1,167,700
Deferred grant	3	74,321	626,596
Deferred revenue		252,000	-
Due to Cyberlab, LLC	8, 10	-	1,590,515
Lease liability	18	115,294	-
SAFE	9	1,000,000	3,113,000
		2,061,577	6,497,811
Loans payable	7, 10	145,743	547,879
Lease liability	18	105,129	-
TOTAL LIABILITIES		2,312,449	7,045,690
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	12	20,384,147	100
Contributed surplus	13	1,583,782	-
Accumulated other comprehensive loss		(234,186)	-
Deficit		(15,017,804)	(6,136,543)
Total Shareholders' Equity (Deficiency)		6,715,939	(6,136,443)
Total Liabilities and Shareholders' Equity (Deficiency)		$ 9,028,388	$ 909,247

Nature of Business and Going Concern (note 1)
Commitments (note 11)
Subsequent events (note 25)

Approved and authorized for issue on behalf of the Board on June 30, 2022.

"Gabriel Rene"
Director

"Dan Mapes"
Director

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

VERSES TECHNOLOGIES INC. (Formerly, Chromos Capital Corp.)
Consolidated Statements of Comprehensive Loss
For the years ended March 31, 2022 and 2021
(Expressed in United States dollars)

	Notes	March 31, 2022	March 31, 2021
REVENUE	4	$ 2,773,841	$ 97,200
COST OF REVENUE		(2,384,047)	(663,466)
		389,794	(566,266)
EXPENSES			
Accounting fees		338,724	102,311
Consulting fees		499,617	178,751
Depreciation	16, 17	29,390	-
Investor relations		41,530	-
Legal fees		357,912	124,549
Management fees	10	1,172,593	868,261
Marketing		628,079	-
Office and general		295,760	42,479
Personnel expenses	10	1,042,749	-
Rent		81,010	252,774
Share based payments	9	-	297,000
Travel and meals		325,656	6,934
		(4,813,020)	(1,873,059)
OTHER ITEMS:			
Interest expense	7, 8, 10	(160,806)	(297,302)
Other income	19	512,155	-
Grant income	3	544,875	208,473
Listing expense	15	(5,352,659)	-
LOSS BEFORE INCOME TAXES		**(8,879,661)**	**(2,528,154)**
Income taxes	24	(1,600)	-
NET LOSS		**(8,881,261)**	**(2,528,154)**
Foreign exchange difference		(234,186)	-
NET COMPREHENSIVE LOSS		**$ (9,115,447)**	**$ (2,528,154)**
Loss Per Class A Subordinate Voting Shares - Basic and Diluted		**$ (0.11)**	**N/A**
Loss Per Class B Proportionate Voting Shares - Basic and Diluted		**$ (0.71)**	**$ (0.25)**
Weighted Average Number of Class A Subordinate Voting Shares - Basic and Diluted		**15,422,225**	**N/A**
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 consolidated financial statements.

VERSES TECHNOLOGIES INC. (Formerly, Chromos Capital Corp.)
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended March 31, 2022 and 2021
(Expressed in United States dollars)

	Number of Class B common shares	Number of Class A common shares	Share Capital	Contributed Surplus	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficiency)
Balance, March 31, 2020	-	**10,000,000**	**$ 100**	**$ -**	**$ -**	**$ (3,608,389)**	**$ -**	**$ (3,608,289)**
Common shares cancelled in re-organization	-	(10,000,000)	(100)	-	-	-	-	(100)
Shares issued to Class B shareholders	10,000,000	-	100	-	-	-	-	100
Net loss	-	-	-	-	-	(2,528,154)	-	(2,528,154)
Balance, March 31, 2021	10,000,000	-	100	-	-	(6,136,543)	-	(6,136,443)
Issuance of shares for cash	-	608,695	280,000	-	-	-	-	280,000
SAFE conversion to shares	-	4,336,137	1,994,622	-	-	-	-	1,994,622
Elimination of VTU shares upon RTO	(10,000,000)	(4,944,832)	-	-	-	-	-	-
VTI shares issued to VTU shareholders	10,000,000	4,944,832	-	-	-	-	-	-
Shares and warrants of VTI upon RTO	-	14,434,603	6,639,917	529,712	-	-	-	7,169,629
Issuance of special warrants	-	-	-	-	13,582,771	-	-	13,582,771
Special warrants issuance costs	-	-	-	1,054,070	(2,113,263)	-	-	(1,059,193)
Special warrants converted to shares	-	21,003,077	11,469,508	-	(11,469,508)	-	-	-
Foreign exchange difference	-	-	-	-	-	-	(234,186)	(234,186)
Net loss	-	-	-	-	-	(8,881,261)	-	(8,881,261)
Balance, March 31, 2022	**10,000,000**	**40,382,512**	**$ 20,384,147**	**$ 1,583,782**	**$ -**	**$ (15,017,804)**	**$ (234,186)**	**$ 6,715,939**

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

VERSES TECHNOLOGIES INC. (Formerly, Chromos Capital Corp.)
Consolidated Statements of Cash Flows
For the years ended March 31, 2022 and 2021
(Expressed in United States dollars)

	March 31, 2022	**March 31, 2021**
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (8,881,261)	$ (2,528,154)
Items not involving cash		
Depreciation	29,390	-
Gain on conversion of SAFE	(118,378)	-
Listing expense	5,352,659	-
Interest expense	132,968	250,474
Financing fee	27,500	-
Gain on the settlement of accounts payable	(377,737)	-
Issuance of SAFE for shared-based payments	-	297,000
Issuance of SAFE for financing fees	-	20,000
	(3,834,859)	(1,960,680)
Net changes in non-cash working capital items:		
Accounts receivable	(323,564)	(17,962)
Contract assets and unbilled revenue	(1,402,035)	-
Tax receivable	(883)	-
Prepaid expenses	(295,304)	226,420
Accounts payable and accrued liabilities	(200,910)	467,354
Deferred revenue	252,000	-
Deferred grant	(552,275)	626,596
Net cash used in operating activities	(6,357,830)	(658,272)
INVESTING ACTIVITIES		
Investment in equipment	(251,729)	-
Cash acquired on RTO	1,295,204	-
Net cash provided by investing activities	1,043,475	-
FINANCING ACTIVITIES		
Repayments on loans	(2,426,288)	(602,191)
Proceeds from issuance of promissory notes	-	10,000
Proceeds from loan issuances	275,000	432,400
Share issue costs	(410,826)	-
Lease payments	(11,043)	-
Repayment of promissory notes	-	(47,000)
Advances received from VTI prior to RTO	500,000	-
Proceeds from issuance of SAFEs	-	1,732,000
Proceeds from issuance of shares and special warrants	13,214,404	-
Net cash provided by financing activities	11,141,247	1,525,209
Foreign exchange effect	(234,186)	-
Net change in cash and restricted cash during the year	5,592,706	866,937
Cash and restricted cash, beginning of the year	871,285	4,348
Cash and restricted cash, end of the year	$ 6,463,991	$ 871,285

Supplemental cash flow information (note 22)

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

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. ("VTI" or the "Company").

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

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

On June 21, 2021, the Company entered into a Contribution Agreement (the "Contribution Agreement) with Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU"). Pursuant to the Contribution Agreement, the VTU's shareholders exchanged all of the outstanding common shares for common shares of the Company (the "Transaction"). Upon closing of the Transaction on July 20, 2021, VTU became a wholly owned subsidiary of VTI for legal purposes. The shareholders of VTU had control of the Company and as a result, the Transaction is considered a reverse take-over of VTI by VTU ("RTO") (note 15).

For the year ended March 31, 2022, the Company incurred a net loss of $8,881,261 which was funded by the issuance of shares. As of March 31, 2022, the Company has an accumulated deficit of $15,017,804. 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 Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from the conflict in the Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the conflict in Ukraine to the business to be limited, the indirect impacts on the economy and on the industry the company operates, and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The above factors and 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 significant doubt about the Company's ability to continue as a going concern. These consolidated 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 consolidated financial statements.

(Expressed in United States dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Issues Committee ("IFRIC"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements were authorized for issue and approved by the Board of Directors on June 30, 2022.

b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which 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.

c) Consolidation

These consolidated 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 consolidated 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 March 31, 2022 and 2021 are as follows:

Name	*Place of Incorporation*	*March 31, 2022 Interest*	*March 31, 2021 Interest*
Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU")	Wyoming, USA	100%	0%
Verses Operations Canada Inc. ("VOC")	British Columbia, CA	100%	0%
Verses Holdings Inc. ("VHI")	British Columbia, CA	100%	100%
Verses Logistics Inc. ("VLOG")	Wyoming, USA	100%	0%
Verses Realities Inc. ("VRI")	Wyoming, USA	100%	0%
Verses Inc. ("VINC")	Wyoming, USA	100%	0%
Verses Health Inc. ("VHE")	Wyoming, USA	100%	0%
Verses Global BV ("VBV")	Netherlands	100%	0%

d) Significant accounting estimates and judgments

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant accounting estimates and judgments (continued)

Significant assumptions about the future that management has made and other sources of estimation uncertainty at the reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

Critical accounting estimates

- Simple agreement for future equity ("SAFE") - The fair value of the SAFE was determined using a probability weighted expected return model based on the scenarios in accordance with the agreements. The timing and probability for each scenario is based on management's best estimate. Where the actual outcome is different from the estimate, such difference will impact the carrying value of SAFE.
- Recoverability of accounts receivable and allowance for credit loss - The Company provides an allowance for the expected credit losses based on an assessment of the recoverability of accounts receivable. Allowances are applied to accounts receivable at initial recognition based on the probability of default by the customers. Management analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for expected credit losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable.
- Revenue recognition - The company entered into agreements for both Proof of Concept ("PoC") and Software-as-a-Service ("SaaS") which are longer in nature, and the company has recorded a contract asset which is representative of receivables from the agreements not yet billed to the customer. Significant judgment was made to determine the performance obligations and whether each performance obligation is satisfied at a point in time or over the term of the contracts.

Critical accounting judgments

- The determination of the functional currency of each entity within the Company;
- The assessment of the Company's ability to continue as a going concern; and
- Reverse takeover – The determination of the accounting acquirer in the reverse takeover requires assessing the relative voting rights, composition of the governing body, and composition of senior management of the combined entity, amongst other factors. Judgment was also required in determining whether the accounting acquiree meets the definition of a business under IFRS 3 Business Combination.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

f) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The functional currency of VTI, VHI, and VOC is the Canadian dollar ("CAD"). The functional currency of VTU, VLOG, VRI, VINC, and VHE is the United States dollar ("USD"). The functional currency of VBV is the euro ("€"). The presentation currency of the consolidated entity is the United States dollar.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency translation (continued)

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of profit or loss in the period in which they occur.

The results of operations and financial position of each subsidiary where the functional currency is different from the presentation currency are translated as follows: assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position; expenses are translated at the average exchange rate each month, all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

g) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, calculated using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

h) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares and share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the contributed surplus account is transferred to share capital on exercise of options and warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the most recently closed private placement with arms length investors and any residual value is allocated to the warrants reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received.

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. The fair value of equity-settled share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

The fair value of share-based payments to non-employees are based on the fair value of the goods or services received. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted at the date the Company receives the goods or services.

j) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic loss per share, except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The Company applies the treasury stock method in calculating diluted earnings per share, which assumes that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. Diluted loss per share excludes all dilutive potential common shares, as their effect would be anti-dilutive. For the year ended March 31, 2022, 13,352,537 (2021 - nil) warrants were not included in the calculation of diluted earnings per share as their inclusion was anti-dilutive.

k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held-for-trading are classified as FVTPL. For equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held-for-trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial assets and liabilities:

Financial assets/liabilities	*Classification under IFRS 9 Financial Instruments*
Cash	FVTPL
Restricted cash	FVTPL
Accounts receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to Cyberlab, LLC	Amortized cost
Loans payable	Amortized cost
SAFE	FVTPL

(ii) Measurement

Financial assets and liabilities at FVTOCI or amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in profit or loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

m) Grants

Government assistance consists of grants received under the Innovation and Networks Executive Agency ("INEA"), under the powers delegated by the European Commission. Government assistance is recognized when 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 income on a systematic basis over the period the expense costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant and the grant is recognized as a reduced depreciation expense over the expected useful life of the asset.

n) Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The intangible assets are assessed at the end of each fiscal year for impairment. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii. The intention to complete the intangible asset and use or sell it;
iii. The ability to use or sell the intangible asset;
iv. How the intangible asset will generate probable future economic benefits;
v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Intangible assets (continued)

vi. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At March 31, 2022 and 2021, the Company has not recognized any internally-generated intangible assets.

o) Revenue recognition

The Company's revenue is primarily derived from licensing its development of spatial web software to customers and government organizations, providing customization to its core software and performing ongoing maintenance and consulting services.

The Company recognizes revenue in accordance with IFRS 15, "Revenue From Contracts With Customers," which follows a five-step model to assess each contract of a sale or service to a customer: identify the legally binding contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and determine whether revenue will be recognized at a point in time or over time. Revenue is recognized when a performance obligation is satisfied and the customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and services.

The Company recognizes revenue when it transfers the control of the promised goods or services to the customer. The transaction price is the amount of consideration to which the Company is expected to be entitled to in exchange for transferring promised goods or services. The Company identifies the various performance obligations of the contract and allocates the transaction price based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation.

The Company's performance obligations are satisfied over time or at a point in time depending on the transfer of control to the customer.

Software arrangements

Revenue from software arrangements that provide the Company's customers with the right to use the software without any significant development or integration work is recognized at a point in time, on delivery. Revenue from fixed-price software arrangements and software customization contracts that require significant production, modification, or customization of software is recognized over time using the cost input method. If cost input method is not used, the Company recognizes the module customization revenue upon final installation of the modules and acceptance by the customers.

Revenue from Software as a service ("SaaS") arrangements provide the Company's customers with the right to access a cloud-based environment that the Company provides and manages, the right to receive support and to use the software, however the customer does not have the right to take possession of the software. Revenue from SaaS arrangements is recognized over time, using the time elapsed output method, commencing on the date an executed contract exists and the customer has the right-to-use and access to the software.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition (continued)

Contract balances

The timing of revenue recognition, billing and cash collections results in accounts receivable, contract assets, unbilled revenue and contract liabilities on the consolidated financial position.

Contract assets are recognized when revenue is recognized in excess of billings or when the Company has a right to consideration and that right is conditional to something other than the passage of time. Contract assets are subsequently transferred to accounts receivable when the right to payment becomes unconditional.

Deferred revenue is recognized when payments received from customers are in excess of revenue recognized. Deferred revenue is subsequently recognized in revenue when the Company satisfies its performance obligations. Contract assets and deferred revenue are reported in a net position on a contract-by-contract basis at the end of each reporting period.

Maintenance services

The Company offers monthly maintenance services which are recognized over time, using the time elapsed output method, as maintenance services are offered to customers.

Consulting services

The Company provides consulting services which are distinct from other services and products offered. Services revenue is recognized as services are provided.

p) Cost of revenue

Cost of revenue includes expenses incurred for development of applications (consists of labour costs of technical staff and other direct costs) and hosting services.

q) Leases

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset being leased.

The Company considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration”. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

(i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

(ii) The Company has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

(iii) The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company also has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. During the year ended March 31, 2022, the Company expensed short-term leases, month-to-month memberships and leases of low value for $81,010 (2021 - $252,772). On the consolidated statement of financial position, right-of-use assets are included under non-current assets, and lease liabilities are included under current and non-current liabilities.

r) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Equipment

Equipment is measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The estimated useful lives of equipment for current and comparative periods is 3 years.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

t) Accounting standards issued but not yet effective

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning on or after January 1, 2022. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these consolidated financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended March 31, 2022, and have not been early adopted in preparing these financial statements. The Company is currently in the process of assessing the potential impacts, if any, on the Company's financial statements. The following accounting standards and amendments are effective for future periods:

(i) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022.

(ii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

3. DEFERRED GRANT

The Company's subsidiary, Verses Global BV, entered into a grant agreement (alongside other beneficiaries) with the INEA, which is delegated under the European Commission, to provide technical expertise on geospatial infrastructure.

Under the grant agreement, Verses Global BV received $836,393 (€712,222) 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 related to the project and only approved expenses under the project are reimbursed.

(Expressed in United States dollars)

3. DEFERRED GRANT (continued)

	March 31, 2022	*March 31, 2021*
Balance, beginning of the year	$ 626,596	$ -
Funds received	-	836,393
Expenses on the project	(544,875)	(208,473)
Foreign exchange adjustment	(7,400)	(1,324)
Balance, end of the year	$ 74,321	$ 626,596

Of the expenses incurred, $19,073 (2021 - $104,999) are outstanding in accounts payable and accrued liabilities, with $94,088 (2021 - $735,113) remaining in restricted cash.

4. REVENUE

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

For the year ended	*March 31, 2022*	*March 31, 2021*
Recognized at a point in time	$ 2,135,000	$ 60,000
Recognized over the duration of contracts	638,841	37,200
	$ 2,773,841	$ 97,200

Contracts with an expected duration of greater than a year contain performance obligations which are not yet satisfied in an amount of $6,361,159. The remaining allocated transaction price will be recognized as revenue as performance obligations are completed.

5. CONTRACT ASSETS AND UNBILLED REVENUE

Balance at March 31, 2020 and March 31, 2021	$ -
Unbilled revenue	1,138,841
Contract assets	263,194
Balance at March 31, 2022	$ 1,402,035

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	*March 31, 2021*
Accounts payable	$ 539,532	$ 887,893
Accrued liabilities	80,430	279,807
	$ 619,962	$ 1,167,700

(Expressed in United States dollars)

7. LOANS

Loan activity consisted of the following:

For the year ended	*March 31, 2022*	*March 31, 2021*
Balance, beginning of the year	$ 547,879	$ 252,335
Additions	275,000	432,400
Repayment	(743,122)	(165,666)
Interest expense	38,486	28,810
Financing fee	27,500	-
Balance, end of the year	$ 145,743	$ 547,879

For the year ended March 31, 2022, the Company entered into the following loan agreements:

(i) On July 1, 2021, the Company received a $125,000 loan from a related party. The loan is unsecured and has an annual interest rate of 10% starting on July 1, 2021 and 10% financing fee, and requires monthly payments of $20,833. The loan was repaid in full in January 2022.

(ii) On July 30, 2021, the Company received a $150,000 loan from a related party. The loan is unsecured and has an annual interest rate of 10% starting on July 30, 2021 and 10% financing fee, and requires monthly payments of $20,833. The loan was repaid in full in January 2022.

For the year ended March 31, 2021, the Company entered into the following loan agreements:

(i) 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, and bears interest of 3.75% per annum and requires monthly payments of $646 starting in June 2021 with a maturity date in 30 years.
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(ii) On October 1, 2020, the Company received a $40,000 loan from a related party. The loan was unsecured and bore interest at 10%. The loan was repaid on November 12, 2020.

(iii) On December 16, 2020, the Company received a $250,000 loan from a related party. The loan is unsecured and has an annual interest rate of 10% starting on February 1, 2021, and requires monthly payments of $20,833. The loan is to be repaid in full on or before February 28, 2022.

8. DUE TO CYBERLAB

The Company purchased software and intellectual property ("IP") from Cyberlab, LLC, a company owned by a director and officer, for $1,500,000 and entered into a loan agreement as part of the purchase. The software and IP were not completed and did not meet the definition of an asset, therefore the Company expensed the IP upon purchase. In addition, the loan balance was impacted by operating transactions between Cyberlab and Verses. The loan is unsecured and bears interest rate at a 10.52% effective rate. The loan does not require a minimum amount of repayments to be made. The loan was repaid in full in November 2021.

For the year ended	*March 31, 2022*	*March 31, 2021*
Balance, beginning of the year	$ 1,590,515	$ 1,846,376
Repayment	(1,683,166)	(436,525)
Interest expense	92,651	180,664
Balance, end of the year	$ -	$ 1,590,515

(Expressed in United States dollars)

9. SIMPLE AGREEMENTS FOR FUTURE EQUITY ("SAFEs")

SAFEs are securities which give the holder a future equity conversion right based on a floating conversion price determined by future events. SAFEs are convertible based on a deemed price per security calculated using the consideration paid or valuation determined on the occurrence of an equity financing or liquidity event (i.e., going public transaction, acquisition).

For the year ended		*March 31, 2022*		*March 31, 2021*
Balance, beginning of the year	$	3,113,000	$	999,000
Additions – Equity compensation (iii)		-		297,000
Additions – Promissory notes (iv)		-		85,000
Additions – Investors (v)		-		1,732,000
Reductions – conversion into Common Shares (i)		(1,994,622)		-
Reductions – gain on conversion (ii)		(118,378)		-
Balance, end of the year	$	1,000,000	$	3,113,000

For the year ended March 31, 2022, the SAFE activity is described as follows:

(i) The Company converted SAFEs worth $1,994,622 into 4,336,137 Class A shares. The number of shares issued is based on the Purchase Amount divided by the Company's conversion price which was determined to be the share value of the most recent private placement then valued at $0.46.

(ii) The Chief Commercial Officer converted SAFEs resulting in a gain of $118,378 to the Company (notes 10 and 19).

For the year ended March 31, 2021, the SAFE activity is described as follows:

(iii) The Company issued SAFEs worth $97,000 to certain contractors and investors, and $200,000 to the Chief Commercial Officer as equity compensation (note 10).

(iv) The Company issued SAFEs worth $85,000 to holders of promissory notes as settlement of the debt.

(v) The Company issued SAFEs to investors for total proceeds of $732,000. The Company's subsidiary, VLOG, issued a SAFE worth $1,000,000 to an investor for proceeds received in the subsidiary.

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties consist of the directors, executive officers and companies owned in whole or in part 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.

(Expressed in United States dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The following fees and expenses were incurred:

For the year ended	*March 31, 2022*	*March 31, 2021*
Management fees	$ 559,111	$ 369,756
Management salaries and benefits included in personnel expenses	276,391	-
Share-based payments (note 9)	-	200,000
Finance fee included in interest expense	27,500	-
Interest expense	114,860	194,846
	$ 977,862	$ 764,602

Amounts due to or from related parties, including amounts due to key management personnel, at the period-end are unsecured, interest-free, and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at March 31, 2022 were amounts totaling $12,867 (2021 – $464,789) due to key management personnel. Included in accounts receivable at March 31, 2022 were amounts totalling $186,254 (2021 - $nil) due from a company controlled by key management personnel.

At March 31, 2022, the Company has a loan totalling $nil (2021 - $211,661) with an Officer. The loan is unsecured and bears an annual interest rate of 10% compounded daily and requires minimum monthly payments of $20,833. On May 4, 2021, the loan agreement was amended such that any additional proceeds from the lender will have a one-time financing fee of 10% added to the principal balance of the loan. The Company received additional $275,000 in loans during the year and $27,500 in financing fees was added to the principal of the loan (note 7).

At March 31, 2022, the Company has a loan of $nil (2021 - $77,650) with Green Soma Inc., a company owned by a director. The loan is unsecured and bears simple interest rate of 10% per annum (note 7).

At March 31, 2022, the Company has a loan of $nil (2021 - $1,590,515) with Cyberlab, a company owned by the President and Founder. The loan is unsecured and bears interest rate at a 10.52% effective rate (note 8).

During the year ended March 31, 2022, officers of the Company received 503,527 (2021 - nil) Class A shares upon conversion of SAFEs (note 9).

11. COMMITMENTS

The Company has an obligation to pay royalties to Cyberlab, LLC (note 8), in the case of a liquidity event of one of the Company's subsidiaries. A liquidity event includes, an initial public offering, acquisition for cash or third-party shares, or a combination of cash and third-party shares; or any other event resulting in a capital gain to the shareholders of the subsidiary and the financial assets associated; and is further defined as a sale of a controlling interest in the respective subsidiary. Payments under the Cyberlab royalty, when triggered, will equal 10% of VTU's interest in an applicable liquidity event and shall be made as soon as practical following a liquidity event.

The Company is obligated to grant stock options ("Options"), deferred share units ("DSU") or restricted stock units ("RSU") after a plan is established, to qualifying consultants and employees at terms to be determined at grant date based on the market price of the Company's shares.

(Expressed in United States dollars)

11. COMMITMENTS (continued)

Equity Compensation Type	Company	Equity Incentive Units
Options, RSU or DSU	Verses Technologies Inc.	13,047,950
Options, RSU or DSU	Verses Global BV	800,000
Options, RSU or DSU	Verses Logistics Inc.	1,057,500
Options, RSU or DSU	Verses Inc.	2,380,845

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 months worth of base salary, continuation for 12 months of medical and dental insurance under COBRA or similar procedural mechanisms, and immediate, accelerated vesting of all stock options, equity, and related compensation.

12. SHARE CAPITAL

a) Authorized common shares

Effective July 20, 2021, the Company amended its Articles to create an unlimited number of Class A Subordinate Voting Shares (the “Class A share”) and unlimited number of Class B Proportionate Voting Shares (the “Class B share”). Each Class A 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 Class A shares.

b) Issued

On July 20, 2021, the Company issued 608,695 Class A shares at a price of $0.46 per share pursuant to a private placement for total proceeds of $280,000.

On July 20, 2021 the Company converted SAFEs of $1,994,622 into 4,366,137 Class A shares. The number of shares issued was based on the purchase amount divided by the Company’s conversion price which was the share price of the most recent equity financing at $0.46.

Pursuant to the terms of the Contribution Agreement dated June 21, 2021, each VTU Class A share was exchanged for one Class A share of the Company; and each VTU Class B share was exchanged for one Class B share upon completion of the Transaction on July 20, 2021. The Company issued a total of 4,944,832 Class A shares and 10,000,000 Class B shares to the former VTU shareholders.

In February and March 2022, the Company converted 21,003,077 special warrants into 21,003,077 units. Each unit consisted of 1 Class A shares and ½ share purchase warrant, with each full share purchase warrant exercisable at CAD$1.20 for 1 Class A share for 2 years.

c) Escrowed securities

On or before the Listing Date, the Escrowed Securityholders will enter into the Escrow Agreement with the Escrow Agent, pursuant to which the Escrowed Securityholders will collectively deposit 6,380,604 Class A shares and 10,000,000 Class B shares with the Escrow Agent. The Company is an "established issuer" for the purposes of National Policy 46-201. Accordingly, the Escrowed Securities will be released from escrow in accordance with the following schedule:

(Expressed in United States dollars)

12. SHARE CAPITAL (continued)

c) Escrowed securities (continued)

25% of the Escrowed Securities on the Listing Date, 25% of the Escrowed Securities 6 months after the Listing Date, 25% of the Escrowed Securities 12 months after the Listing Date, 25% of the Escrowed Securities 18 months after the Listing Date. Subsequent to the year end, 25% of the Escrowed Securities have been released. The remaining Class A and Class B shares held in escrow will be released on December 28, 2022 (⅓), June 28, 2023 (⅓), and December 28, 2023 (⅓).

13. WARRANTS

During the year ended March 31, 2022, the Company issued 20,000,000 special warrants pursuant to a private placement for gross proceeds of $12,934,404 at a price of CAD$0.80 per special warrant. Each special warrant will, upon the exercise or deemed exercise thereof, entitle the holder to receive one unit (each, a "Unit") of the Issuer, each Unit being comprised of one Class A share (a "Unit Share"), and one-half of one transferrable Class A share purchase warrant entitling the holder to acquire Class A shares of the Issuer at an exercise price of CAD$1.20 per share purchase warrant expiring 24 months from the date of issuance.

The Company paid cash finder's fees of $377,471 and $33,355 in share issue costs, and issued 1,003,077 special warrants as finders commissions.

The special warrants are automatically exercised at no additional consideration on the earlier of the date the Company obtains a receipt for the final prospectus or four months and a day after the date of issuance of the special warrants. As of March 31, 2022, 21,003,077 special warrants have been deemed to be exercised and 21,003,077 Class A shares and 10,501,537 warrants have been issued.

The Company also issued 1,601,000 finders' warrants exercisable at CAD$0.80 into one Class A share and one-half share purchase warrant, where each full warrant is exercisable at CAD$1.20 into one Class A share, expiring in 2 years.

The table below summarizes the information on the outstanding warrants of the Company for the years ended March 31, 2021 and 2022:

	Number of warrants	*Weighted Average Exercise Price (CAD)*
Balance, March 31, 2020	-	$ -
Issued	-	-
Balance, March 31, 2021	-	-
Assumed from VHI	1,250,000	0.40
Issued for special warrants	21,003,077	0.80
Issued	10,501,537	1.20
Issued for finders warrants	1,601,000	0.80
Exercised	(21,003,077)	0.80
Balance, March 31, 2022	13,352,537	$ 1.08

(Expressed in United States dollars)

13. WARRANTS (continued)

The following assumptions were used in the calculation of finders' warrants as per Black-Scholes option pricing model:

	Weighted average assumptions
Share price at grant date (based on arm's length financings completed)	CAD$0.80
Exercise price	CAD$0.93
Expected volatility (based on comparable publicly listed entities)	145%
Expected life	2 years
Expected dividends	Nil
Risk-free interest rate	1.57%

As of March 31, 2022, the Company's outstanding share purchase warrants expire as follows:

Expire date	*Weighted Average Remaining Contractual Life in Years*	*Exercise Price (CAD)*	*Outstanding*
April 15, 2026	4.04	$ 0.40	1,250,000
October 21, 2023	1.56	0.80	810,541
November 2, 2023	1.59	0.80	790,459
February 22, 2024	1.90	1.20	6,591,631
March 3, 2024	1.93	1.20	3,909,906
	2.07	$ 1.08	13,352,537

Pursuant to National Policy 46-201, 97,500 warrants exercisable to acquire one unit warrant share at an exercise price of $1.20 per unit warrant share until February 22, 2024 held by principals of the Company are currently held in escrow. Subsequent to the year end, 25% of the warrants held in escrow have been released. The remaining warrants held in escrow will be released on December 28, 2022 (⅓), June 28, 2023 (⅓), and December 28, 2023 (⅓).

14. PREPAID EXPENSES

Prepaid expenses consisted of the following:

As at	*March 31, 2022*	*March 31, 2021*
Deposit	$ 77,612	$ -
Retainer	164,673	20,000
Other	112,296	-
Balance, end of the year	$ 354,581	$ 20,000

(Expressed in United States dollars)

15. REVERSE TAKE-OVER

On June 21, 2021, the Company entered into a Contribution Agreement (the "Contribution Agreement) with Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU"). Pursuant to the Contribution Agreement, the VTU's shareholders exchanged all of the outstanding common shares for common shares of the Company (the "Transaction" or "RTO"). Upon closing of the Transaction on July 20, 2021, VTU became a wholly owned subsidiary of VTI for legal purposes. The shareholders of VTU had control of the Company and as a result, the Transaction is considered a reverse take-over of VTI by VTU.

Management has evaluated that VTI did not meet the definition of a business as defined by IFRS 3, Business Combinations ("IFRS 3"), as it did not have the inputs and processes necessary to produce outputs. The acquisition was accounted for as the purchase of VTI's net assets by VTU. The consideration paid was determined as equity settled share-based payment under IFRS 2, Share based Payments ("IFRS 2"), at the fair value of the equity of VTU retained by the shareholders of VTI based on the fair value of VTU's common shares on the date of closing of the Transaction, being $0.46 per share concurrent financing price.

For RTO accounting purposes, the percentage voting rights of the shareholders of VTI in the combined entity on completion of the Transaction was approximately 18%. As a result of the Transaction, the Company assumed 1,250,000 share purchase warrants that are exercisable at $0.31 (CAD$0.40) per share expiring April 15, 2026 (the "VTI Warrants").

For accounting purposes, VTU is considered the acquirer and VTI, the acquiree; accordingly, the Company and the consolidated financial statements are a continuity of the financial statements of VTU. The results of operations of VTI are included in these consolidated financial statements from the date of the RTO on July 20, 2021.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition is based on management's best estimate using the information currently available.

Total purchase price		
Fair value of 14,434,603 nominal common shares issued at $0.46 per share	$	6,639,917
Fair value of 1,250,000 share purchase warrants assumed		529,712
Total consideration		7,169,629
Net assets acquired		
Assets and liabilities assumed		
Cash		1,295,204
Advances to VTU prior to RTO		500,000
Other current assets		52,675
Accounts payable		(30,909)
Net assets acquired		1,816,970
Listing expense	**$**	5,352,659

(Expressed in United States dollars)

15. REVERSE TAKE-OVER (continued)

The Company assumed 1,250,000 share purchase warrants exercisable at a price of \$0.31 (CAD\$0.40) per share expiring on April 15, 2026. The fair value of share-purchase warrants was \$529,712, estimated using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date (based on concurrent financing)	$0.46
Risk-free interest rate	0.80%
Estimate life	4.74 years
Expected volatility (based on comparable publicly listed entities)	148%
Expected dividend yield	0%

16. EQUIPMENT

During the year ended in March 31, 2022 the company acquired computer equipment. All equipment is stated at cost less accumulated amortization.

COST	**Equipment**
Balance, March 31, 2021 and March 31, 2020	$ -
Additions	251,729
Balance, March 31, 2022	251,729
ACCUMULATED DEPRECIATION	
Balance, March 31, 2021 and March 31, 2020	-
Additions	19,822
Balance, March 31, 2022	$ 19,822
Net book value, March 31, 2021	$ -
Net book value, March 31, 2022	$ 231,907

17. RIGHT-OF-USE ASSET

The Company's right-of-use asset relates to the lease of office space.

For the year ended	*March 31, 2022*
Beginning balance	$ -
Additions	229,635
Depreciation expense	(9,568)
Balance, end of the year	$ 220,067

(Expressed in United States dollars)

18. LEASE LIABILITY

On January 24, 2022, the Company entered into a new lease agreement with a commencement date of March 1, 2022 for its laboratory premises for two years expiring February 29, 2024. The incremental borrowing rate applied to the lease liability is 10%. Pursuant to this agreement, the Company is obligated to pay basic rent of $9,000, tenant improvements, and operating costs on a monthly basis. The Company has elected to apply the practical expedient to not separate the non-lease components from the lease component. Accordingly, the lease payments used to measure the right-of-use asset and the lease liability includes both the non-lease and the lease components.

The following table details the change in the Company's lease liability for the years ended March 31, 2022 and March 31, 2021.

Cost	March 31, 2022	March 31, 2021
Beginning balance	$ -	$ -
Additions	229,635	-
Interest expense	1,831	-
Lease payments	(11,043)	-
Balance, end of the year	220,423	-
Less: lease liability short-term	(115,294)	-
Lease liability long-term	$ 105,129	$ -

The Company's annual lease payments are as follows:

Years ending	
March 31, 2023	$ 131,417
March 31, 2024	110,017
Total lease payments	241,434
Remaining present value adjustment to be accreted over the lease term	(21,011)
Lease liability balance, March 31, 2022	$ 220,423

19. OTHER INCOME

Supplier debt included in accounts payable and SAFE balances were waived by the certain suppliers of the Company, in exchange for revised contracts which included the potential for future equity compensation consisting of stock options, warrants, RSUs, and DSUs.

Other income and expenses consisted of the following:

For the year ended	*March 31, 2022*	*March 31, 2021*
Gain on the settlement of accounts payable	$ 377,737	$ -
Gain on conversion of SAFE (note 9)	118,378	-
Interest earned	16,040	-
	$ 512,155	$ -

(Expressed in United States dollars)

20. FINANCIAL INSTRUMENTS

As at March 31, 2022, the Company's financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, due to Cyberlab, LLC, loans payable, and SAFEs.

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 is measured using level 1 inputs and the fair value of SAFEs is measured using 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 year.

As of March 31, 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets:				
Cash	$ 6,369,903	$ -	$ -	$ 6,369,903
Restricted Cash	$ 94,088	$ -	$ -	$ 94,088
Liabilities:				
SAFE			$ 1,000,000	$ 1,000,000

As of March 31, 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets:				
Cash	$ 136,172	$ -	$ -	$ 136,172
Restricted Cash	$ 735,113	$ -	$ -	$ 735,113
Liabilities:				
SAFE	$ -	$ -	$ 3,113,000	$ 3,113,000

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 and accounts receivable. To minimize the credit risk, the Company places its cash with high quality financial institutions.

20. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Subsequent to March 31, 2022, trade accounts receivable balance of $143,000 was collected in full from customers. The remaining accounts receivable of $186,254 are due from a company controlled by key management personnel. The credit risk is low.

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 and its holdings of cash.

Contractual cash flow requirements as at March 31, 2022 were as follows:

	<1 year *$*	*1-2 years* *$*	*2-5 years* *$*	*>5 years* *$*	*Total* *$*
Accounts payable and accrued liabilities	619,962	-	-	-	619,962
Leases	131,417	110,017	-	-	241,434
SAFE	1,000,000	-	-	-	1,000,000
Loans payable	7,752	7,752	23,256	106,983	145,743
Total	1,759,131	117,769	23,256	106,983	2,007,139

As at March 31, 2022, the Company had a working capital of $6,514,837.

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. At March 31, 2022, the Company had the equivalent of $75,015 in net financial liabilities denominated in Euros and $35,788 financial assets denominated in Canadian dollars.

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 at a significant risk to fluctuating interest rates. At March 31, 2022, the Company does not hold any liabilities that are subject to fluctuations in market interest rates.

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.

(Expressed in United States dollars)

21. 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 (deficiency) 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 common shares, dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

22. SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended	
Non-cash Financing and Investing Activities	March 31, 2022	March 31, 2021
Issuance of shares for SAFE conversions	$ 1,994,622	$ -
Lease assets acquired	$ 229,635	$ -
Fair value of finders warrants	$ 1,054,070	$ -
Shares and warrants issued for VTI	$ 7,169,629	$ -

	For the year ended	
	March 31, 2022	March 31, 2021
Cash paid for interests	$ 148,835	$ -
Cash paid for income taxes	$ -	$ -
Cash received for interest	$ 16,040	$ -

23. SEGMENTED NOTE

All of the Company's non-current assets at March 31, 2022 and 2021 and all of the Company's revenue for the year ended March 31, 2022 and 2021 were in the United States.

The operating segments have been disclosed by geographical region for the year ended March 31, 2022 and 2021 as follows:

Customers accounting for more than 10% of net revenue are as listed below:

For the year ended	March 31, 2022	March 31, 2021
Customer A	100%	62%
Customer B	-	38%

Total loss by country	2022	2021
United States	$ 8,537,690	$ 2,528,154
Canada	343,571	-
Netherlands	-	-
Total net loss	$ 8,881,261	$ 2,528,154

(Expressed in United States dollars)

24. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the applicable income tax rates to the net loss before tax provision due to the following:

For the year ended	*March 31, 2022*	*March 31, 2021*
Loss before income taxes	$ (8,879,661)	$ (2,528,154)
Statutory income tax rate	30%	30%
Expected income tax recovery	(2,663,898)	(754,000)
Non-deductible expenditures and non-taxable revenues	1,605,798	90,000
Change in unrecognized deductible temporary differences	1,049,393	664,000
Tax rate difference in other jurisdictions	10,307	-
Income tax expense (recovery)	$ 1,600	$ -

Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	March 31, 2022	*March 31, 2021*
Deferred income tax assets (liabilities)		
Losses carried forward	$ 2,797,000	$ 1,248,000
Intangible assets	343,000	448,000
Equipment	(52,000)	-
Total deferred income tax assets	3,088,000	1,696,000
Unrecognized deferred tax assets	(3,088,000)	(1,696,000)
Net deferred tax assets	$ -	$ -

As at March 31, 2022, the Company has estimated non-capital loss ("NCL") for US Federal income tax purposes of $8,406,000 (2021 - $4,183,000), NCL for US state income purposes of $8,179,000 (2021 - $4,183,000) and NCL for Canadian income tax purposes of $1,145,000 (2021 - $nil). These losses may be carried forward to reduce taxable income derived in future years and expire by 2042.

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

25. SUBSEQUENT EVENTS

On June 9, 2022, the Company adopted its Omnibus Equity Incentive Plan ("the Plan"), which is applicable to directors, officers, employees and consultants. Under the Plan, the aggregate number of shares reserved for issuance pursuant to awards granted under this Plan shall not exceed 25% of the Company's total issued and outstanding shares from time to time. Options expiry date cannot be later than 10 years from the grant date, RSU and PSU settlement date shall be no later than the final business day of the third calendar year following the applicable service year. This Plan is considered an "evergreen" plan, since the shares covered by awards which have been settled, exercised or terminated shall be available for subsequent grants under the Plan, and the number of awards available to grant increases as the number of issued and outstanding shares increases. A subsidiary of the Company may also adopt an incentive stock option plan to provide for the issuance of equity-based incentive awards (a "Subsidiary Plan"); provided however, that any Subsidiary Plan will be subject to the terms and conditions of the Plan.

On June 13, 2022, the Company granted:

i. 818,794 warrants to a strategic consultant for services related to branding and communications services of the Company with an exercise price of CAD$0.80, expiring in 2 years.

ii. 160,000 warrants to strategic consultants for services related to corporate advisory services of the Company with an exercise price of CAD$0.80, expiring in 2 years.

On June 16, 2022, the Company granted:

i. 2,500,000 stock options to new directors with an exercise price of CAD$0.80, expiring in 5 years and vesting 25% on the date of listing of the Class A shares on the NEO Stock Exchange ("Listing") and 25% each 6 months thereafter.

ii. 500,000 restricted share units to a new director vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter.

iii. 550,000 stock options to strategic consultants of the Company with an exercise price of CAD$0.80, expiring in 5 years, and vested immediately upon grant.

iv. 1,000,000 stock options to the Company's financial advisor with an exercise price of CAD$0.80, expiring in 5 years, and vested immediately upon grant.

Pursuant to National Policy 46-201, out of the securities issued subsequent to year end, 1,875,000 stock options and 375,000 restricted share units are held in escrow and will be released on December 28, 2022 (⅓), June 28, 2023 (⅓), and December 28, 2023 (⅓).