VERSES TECHNOLOGIES INC.
(formerly Chromos Capital Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 and 2021
(Expressed in United States dollars)

VERSES TECHNOLOGIES INC. (formerly Chromos Capital Corp.)
Condensed Consolidated Interim Statements of Financial Position
(Expressed in United States dollars)

As of	Notes	September 30, 2022 (Unaudited)	March 31, 2022 (Audited)
ASSETS			
CURRENT			
Cash		$ 7,962,977	$ 6,369,903
Restricted cash	3	13,592	94,088
Accounts receivable		461,699	143,000
Contract assets and unbilled revenue	5	1,733,259	1,402,035
Tax receivable		114,094	26,553
Prepaid expenses	14	994,504	354,581
		11,280,125	8,390,160
Equipment	15	295,176	231,907
Right-of-use asset	16	162,658	220,067
Due from related parties	10	419,951	186,254
TOTAL ASSETS		$ 12,157,910	$ 9,028,388
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6, 10	$ 1,152,722	$ 619,962
Deferred grant	3	-	74,321
Deferred revenue		292,000	252,000
Lease liability	17	129,676	115,294
SAFE	9	1,025,000	1,000,000
		2,599,398	2,061,577
Loans payable	7	144,537	145,743
Lease liability	17	34,473	105,129
TOTAL LIABILITIES		2,778,408	2,312,449
SHAREHOLDERS' EQUITY			
Share capital	12	30,132,345	20,384,147
Contributed surplus	13	4,547,794	1,583,782
Accumulated other comprehensive loss		(745,243)	(234,186)
Deficit		(24,555,394)	(15,017,804)
Total Shareholders' Equity		9,379,502	6,715,939
Total Liabilities and Shareholders' Equity		$ 12,157,910	$ 9,028,388

Nature of Business and Going Concern (Note 1)
Commitments (Note 11)
Contingent Liability (Note 23)
Subsequent event (Note 25)

Approved and authorized for issue on behalf of the Board on November 14, 2022.

"Gabriel Rene"
Director

"Dan Mapes"
Director

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

VERSES TECHNOLOGIES INC. (formerly Chromos Capital Corp.)
Condensed Consolidated Interim Statements of Comprehensive Loss
For the three and six months ended September 30, 2022 and 2021
(Unaudited - Expressed in United States dollars)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
REVENUE	4	$ 278,547	$ 2,087,803	$ 652,066	$ 2,147,803
COST OF REVENUE		(131,141)	(214,081)	(404,926)	(473,975)
		147,406	1,873,722	247,140	1,673,828
EXPENSES					
Accounting fees		146,140	46,236	374,229	64,902
Consulting fees		95,121	142,658	290,735	279,914
Depreciation	15, 16	59,683	-	116,210	-
Investor relations		533,578	454	580,490	454
Legal fees		164,052	58,474	500,122	173,065
Management fees	10	-	454,490	-	859,906
Marketing		368,517	180,000	1,077,647	210,000
Office and general		313,494	43,902	548,969	65,059
Personnel expenses	10	731,465	28,000	1,580,700	56,000
Rent	17	11,274	28,301	13,494	43,511
Research and development		1,518,954	-	2,816,176	-
Share based payments	8, 10	491,659	-	1,554,900	-
Travel and meals		149,800	39,676	495,907	46,165
		(4,583,737)	(1,022,191)	(9,949,579)	(1,798,976)
OTHER ITEMS:					
Interest expense	7, 10	(9,351)	(81,981)	(15,739)	(131,852)
Other income	18	3,288	118,378	16,990	496,115
Grant income	3	92,031	166,976	163,598	328,743
Listing expense	24	-	(5,352,659)	-	(5,352,659)
NET LOSS		**(4,350,363)**	**(4,297,755)**	**(9,537,590)**	**(4,784,801)**
Foreign exchange difference		(510,196)	(10,386)	(511,057)	(10,386)
NET COMPREHENSIVE LOSS		**$ (4,860,559)**	**$ (4,308,141)**	**$ (10,048,647)**	**$ (4,795,187)**
Loss Per Class A Subordinate Voting Shares - Basic and Diluted		**$ (0.04)**	**$ (0.05)**	**$ (0.09)**	**$ (0.06)**
Loss Per Class B Proportionate Voting Shares - Basic and Diluted		**$ (0.25)**	**$ (0.31)**	**$ (0.56)**	**$ (0.37)**
Weighted Average Number of Class A Subordinate Voting Shares - Basic and Diluted		**47,613,549**	**25,057,818**	**44,037,762**	**17,570,051**
Weighted Average Number of Class B Proportionate Voting Shares - Basic and Diluted		**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

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

VERSES TECHNOLOGIES INC. (formerly Chromos Capital Corp.)
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
For the six months ended September 30, 2022 and 2021
(Unaudited - 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, 2021	**10,000,000**	**-**	**$ 100**	**$ -**	**$ -**	**$ (6,136,543)**	**$ -**	**$ (6,136,443)**
Shares subscription received in advance	-	-	-	-	280,000	-	-	280,000
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
Foreign exchange difference	-	-	-	-	-	-	(10,386)	(10,386)
Net loss	-	-	-	-	-	(4,784,801)	-	(4,784,801)
Balance, September 30, 2021	**10,000,000**	**19,379,435**	**8,914,639**	**529,712**	**-**	**(10,921,344)**	**(10,386)**	**(1,487,379)**
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	-	-	-	-	-	-	(223,800)	(223,800)
Net loss	-	-	-	-	-	(4,096,460)	-	(4,096,460)
Balance, March 31, 2022	**10,000,000**	**40,382,512**	**20,384,147**	**1,583,782**	**-**	**(15,017,804)**	**(234,186)**	**6,715,939**
Stock options and restricted share units granted	-	-	-	1,554,900	-	-	-	1,554,900
Issuance of warrants for services	-	-	-	371,507	-	-	-	371,507
Issuance of units for cash	-	14,907,030	11,333,681	231,302	-	-	-	11,564,983
Private placement issuance costs	-	291,325	(1,585,483)	806,303	-	-	-	(779,180)
Foreign exchange difference	-	-	-	-	-	-	(511,057)	(511,057)
Net loss	-	-	-	-	-	(9,537,590)	-	(9,537,590)
Balance, September 30, 2022	**10,000,000**	**55,580,867**	**$ 30,132,345**	**$ 4,547,794**	**$ -**	**$ (24,555,394)**	**$ (745,243)**	**$ 9,379,502**

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

VERSES TECHNOLOGIES INC. (formerly Chromos Capital Corp.)
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended September 30, 2022 and 2021
(Unaudited - Expressed in United States dollars)

Six months ended	**September 30, 2022**	**September 30, 2021**
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	$ (9,537,590)	$ (4,784,801)
Items not involving cash		
Depreciation	116,210	-
Gain on conversion of SAFE	-	(118,378)
Listing expense	-	5,352,659
SAFE issued for advisory services	25,000	-
Interest expense	12,105	131,852
Gain on the settlement of accounts payable	-	(377,737)
Issuance of warrants for services	371,507	-
Share based payments	1,554,900	-
	(7,457,868)	203,595
Net changes in non-cash working capital items:		
Accounts receivable	(318,699)	(111,637)
Due from related parties	(233,697)	-
Contract assets and unbilled revenue	(331,224)	(612,199)
Tax receivable	(87,541)	11,608
Prepaid expenses	(639,923)	(45,943)
Accounts payable and accrued liabilities	532,760	(370,471)
Deferred revenue	40,000	152,000
Deferred grant	(74,321)	(778,596)
Net cash used in operating activities	(8,570,513)	(1,551,643)
INVESTING ACTIVITIES		
Investment in equipment	(122,070)	-
Cash acquired on RTO	-	1,295,204
Net cash provided (used in) investing activities	(122,070)	1,295,204
FINANCING ACTIVITIES		
Repayments of loans	(3,876)	(614,499)
Proceed from issuance of loans	-	275,000
Issuance of units	11,564,983	280,000
Private placement issuance costs	(779,180)	-
Advances received from VTI prior to RTO	-	500,000
Lease payments	(65,709)	-
Net cash provided by financing activities	10,716,218	440,501
Foreign exchange effect on cash	(511,057)	(10,386)
Net change in cash and restricted cash during the period	1,512,578	173,676
Cash and restricted cash, beginning of the period	6,463,991	871,285
Cash and restricted cash, end of the period	$ 7,976,569	$ 1,044,961

Supplemental cash flow information (note 21).

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

For the six months ended September 30, 2022, the Company incurred a net loss of $9,537,590 (September 30, 2021 - $4,784,801) which was funded by the issuance of shares. As of September 30, 2022, the Company has an accumulated deficit of $24,555,394 (March 31, 2022 - $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 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 SIGNIFICANT 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, 2022, 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, 2022.

(Unaudited - Expressed in United States dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of preparation

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as of March 31, 2022. The accompanying 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, 2022.

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, 2022 and March 31, 2022 are as follows:

Name	*Place of Incorporation*	*September 30, 2022 Interest*	*March 31, 2022 Interest*
Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU")	Wyoming, USA	100%	100%
Verses Operations Canada Inc. ("VOC")	British Columbia, CA	100%	100%
Verses Holdings Inc. ("VHI")	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%

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.

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, 2022.

(Unaudited - Expressed in United States dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Accounting standard 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, 2023. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these condensed consolidated interim financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the period ended September 30, 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 condensed consolidated interim financial statements. The following amendment is effective for future periods:

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.

This amendment is effective for reporting periods beginning on or after January 1, 2023.

f) Accounting standard adopted in the current period

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 and the amendment was adopted on April 1, 2022. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, 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). The adoption of this accounting standard did not have a material impact on the Company's financial results.

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.

	September 30, 2022	*March 31, 2022*
Balance, beginning of the period	$ 74,321	$ 626,596
Funds to be received	111,700	
Expenses on the project	(163,598)	(544,875)
Foreign exchange adjustment	(22,423)	(7,400)
Balance, end of the period	$ -	$ 74,321

Of the expenses incurred, $26,374 (March 31, 2022 - $19,073) are outstanding in accounts payable and accrued liabilities, with $13,592 (March 31, 2022 - $94,088) remaining in restricted cash.

(Unaudited - Expressed in United States dollars)

4. REVENUE

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

	Three months ended September 30,		*Six months ended September 30,*	
	2022	*2021*	*2022*	*2021*
Recognized at a point in time	$ -	$ 2,000,000	$ 98,000	$ 2,060,000
Recognized over the duration of contracts	278,547	87,803	554,066	87,803
Total net loss	$ 278,547	$ 2,087,803	$ 652,066	$ 2,147,803

Contracts with an expected duration of greater than a year contain performance obligations which are not yet satisfied in an amount of $5,807,093 (September 30, 2021 - $6,912,197). The remaining allocated transaction price will be recognized as revenue as performance obligations are completed.

5. CONTRACT ASSETS AND UNBILLED REVENUE

	Contract assets	*Unbilled revenue*	*Total*
Balance, March 31, 2021	$ -	$ -	$ -
Additions	263,194	1,138,841	1,402,035
Balance, March 31, 2022	263,194	1,138,841	1,402,035
Additions	199,754	554,067	753,821
Invoiced	-	(350,000)	(350,000)
Revenue recognition	(72,597)	-	(72,597)
Balance, September 30, 2022	$ 390,351	$ 1,342,908	$ 1,733,259

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	*March 31, 2022*
Accounts payable	$ 1,065,170	$ 539,532
Accrued liabilities	87,552	80,430
	$ 1,152,722	$ 619,962

(Unaudited - Expressed in United States dollars)

7. LOANS

Loan activity consisted of the following:

For the period ended	*September 30, 2022*	*March 31, 2022*
Balance, beginning of the period	$ 145,743	$ 547,879
Additions	-	275,000
Repayment	(3,876)	(743,122)
Interest expense	2,670	65,986
Balance, end of the period	$ 144,537	$ 145,743

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 was unsecured and had 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 was unsecured and had 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.

8. SHARE BASED PAYMENTS

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 (note 10). The stock options were fair valued at $1,168,994.
(ii) 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. The stock options were fair valued at $257,178.
(iii) 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. The stock options were fair valued at $467,598.
(iv) 500,000 restricted share units (“RSUs”) to a new director, with no exercise price and expiring in 10 years, vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter (note 10). The RSUs were fair valued at $309,400.

On September 16, 2022, the Company granted:

(i) 200,000 stock options to the Company's financial advisor with an exercise price of CAD$1.00, expiring in 5 years, vested 1/3 on the grant date and 1/3 each 6 months thereafter. The stock options were fair valued at $102,675.
(ii) 800,000 stock options to strategic consultants of the Company with an exercise price of CAD$1.00, expiring in 5 years, vested 1/3 on the grant date and 1/3 each 6 months thereafter. The stock options were fair valued at $410,701.

For the period ended September 30, 2022, the Company recognized $1,554,900 as share based payments, including $53,121 for RSUs and $1,501,779 for stock options.

(Unaudited - Expressed in United States dollars)

8. SHARE BASED PAYMENTS (continued)

	Number of stock options	*Weighted Average Exercise Price (CAD)*
Balance, March 31, 2022 and March 31, 2021	-	-
Granted, June 16, 2022	4,050,000	$ 0.80
Granted, September 16, 2022	1,000,000	1.00
Balance, September 30, 2022	5,050,000	$ 0.84

Expiry date	*Weighted Average Remaining Contractual Life in Years*	*Exercise Price (CAD)*	*Outstanding*
June 15, 2027	4.71	$ 0.80	4,050,000
September 16, 2027	4.96	1.00	1,000,000
	4.76	$ 0.84	5,050,000

The total fair value of the stock options on the grant date was $2,398,317, estimated using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD$0.82
Risk-free interest rate	3.33%
Estimate life	5 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividend yield	0%

Restricted share units ("RSUs") fair value was estimated based on the Company's most recent private placement price before the Company's shares got listed (CAD$0.80).

	Number of RSUs
Balance, March 31, 2022 and March 31, 2021	-
Issued, June 16, 2022	500,000
Balance, September 30, 2022	500,000

Expiry date	*Weighted Average Remaining Contractual Life in Years*	*Outstanding*
June 13, 2032	9.71	500,000

(Unaudited - 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 period ended	*September 30, 2022*	*March 31, 2022*
Balance, beginning of the period (i)	$ 1,000,000	$ 3,113,000
Additions – SAFE for advisory services (ii)	25,000	-
Reductions – conversion into Common Shares (iii)	-	(1,994,622)
Reductions – gain on conversion (iv)	-	(118,378)
Balance, end of the period	$ 1,025,000	$ 1,000,000

(i) The Company's subsidiary, VLOG, issued a SAFE worth $1,000,000 to an investor for proceeds received in the subsidiary.

(ii) For the six months, ended September 30, 2022, the Company's subsidiary, VLOG, issued a SAFE worth $25,000 in exchange for advisory services provided in the subsidiary.

(iii) 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.

(iv) The Chief Commercial Officer converted SAFEs resulting in a gain of $118,378 to the Company.

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.

During the three and six months ended September 30, 2022, and 2021, related party transactions were as follows:

	Three months ended September 30,		*Six months ended September 30,*	
	2022	*2021*	*2022*	*2021*
Management fees	$ -	$ 165,234	$ -	$ 317,469
Management salaries and benefits included in personnel expenses	282,436	-	570,872	-
Finance fee included in interest expense	-	27,500	-	27,500
Share-based payments (note 8)	300,733	-	639,198	-
Interest expense	-	47,390	-	96,124
	$ 583,169	$ 240,124	$ 1,210,070	$ 441,093

(Unaudited - Expressed in United States dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to or from related parties, including amounts due to key management personnel 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 September 30, 2022 were amounts totaling $nil (March 31, 2022 – $12,867) due to key management personnel. Included in due from related parties at September 30, 2022 were amounts totalling $419,951 (March 31, 2022 - $186,254) due from companies controlled by key management personnel.

During the period ended September 30, 2022, Board of Directors of the Company received 2,500,000 stock options (March 31, 2022 - nil) 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, and 500,000 restricted share units (March 31, 2022 - nil) vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter.

11. COMMITMENTS

The Company has an obligation to pay royalties to Cyberlab, LLC (a company owned by a director and officer), 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”) to qualifying consultants and employees at terms to be determined at grant date based on the market price of the Company’s shares.

Equity Compensation Type	*Company*	*Equity Incentive Units*
Options, RSU or DSU	Verses Technologies Inc.	12,786,056
Options, RSU or DSU	Verses Global BV	800,000
Options, RSU or DSU	Verses Logistics Inc.	1,032,500
Options, RSU or DSU	Verses, Inc.	1,955,845

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.

(Unaudited - Expressed in United States dollars)

12. SHARE CAPITAL (continued)

b) Issued

On September 30, 2022, the Company had 55,580,867 Class A shares and 10,000,000 Class B shares issued and outstanding.

In August 2022, the Company completed a non-brokered private placement (the "Private Placement") of units (the "Unit"). 14,907,030 Units were issued at a price of CAD$1.00 per Unit pursuant to a private placement for total proceeds of $11,564,983. Each Unit consisted of 1 Class A share and 1⁄2 share purchase warrant, with each full share purchase warrant exercisable at CAD$1.20 for 1 Class A share for 3 years. If at any time prior to the expiry date, the volume-weighted average trading price of the Class A Shares on the Neo Exchange Inc. exceeds CAD$2.40 for a period of 10 consecutive trading days, the Company may accelerate the expiry date to the date that is 30 days following the written notice to the holders of the warrants, in the form of a press release or other form of notice as permitted by the warrants certificates. The warrants in the Units were valued at $231,302 under the residual value method.

Under the Private Placement, the Company paid fees to eligible finders consisting of: (i) a $1,070,505 fee payable in $779,180 cash and 291,325 Units equal to 8.0% of the gross proceeds raised from investors introduced by the applicable finder; and (ii) 1,146,980 transferable warrants (the "Broker Warrants") equal to 8.0% of the number of Units sold to investors introduced by the applicable finder. Each Broker Warrant is exercisable into one Unit at a price of $1.00 per Unit until August 15, 2025.

1,146,980 broker warrants were fair valued at $806,303 estimated using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD$0.98
Risk-free interest rate	3.27%
Estimate life	3 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividend yield	0%

c) Escrowed securities

On or before the Listing Date, the Escrowed Securityholders entered 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:

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).

(Unaudited - Expressed in United States dollars)

13. WARRANTS

	Number of warrants	*Weighted Average Exercise Price (CAD)*
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 (i)	1,601,000	0.80
Exercised	(21,003,077)	0.80
Balance, March 31, 2022	13,352,537	1.08
Issued for strategic consultants	978,794	0.80
Issued for private placement	7,453,515	1.20
Finders warrants issued as part of finder's units	145,662	1.20
Issued to brokers for services (ii)	1,146,980	1.00
Balance, September 30, 2022	23,077,488	$ 1.10

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. 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).

As of September 30, 2022, the Company's outstanding share purchase warrants expire as follows:

Expiry date	*Weighted Average Remaining Contractual Life in Years*	*Exercise Price (CAD)*	*Outstanding*
April 15, 2026	3.54	$ 0.40	1,250,000
October 21, 2023 (i)	1.06	0.80	810,541
November 2, 2023 (i)	1.09	0.80	790,459
February 22, 2024	1.40	1.20	6,591,631
March 3, 2024	1.42	1.20	3,909,906
June 13, 2024	1.70	0.80	978,794
August 15, 2025	2.88	1.20	7,599,177
August 15, 2025 (ii)	2.88	1.00	1,146,980
	2.07	$ 1.10	23,077,488

(i) 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.

(ii) Warrants exercisable at CAD$1.00 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.

(Unaudited - Expressed in United States dollars)

14. PREPAID EXPENSES

Prepaid expenses consisted of the following:

	September 30, 2022	*March 31, 2022*
Deposit	$ 59,535	$ 77,612
Retainer	3,000	164,673
Insurance	357,410	29,209
Subscriptions	574,559	83,087
Balance, end of the period	$ 994,504	$ 354,581

15. EQUIPMENT

During the six month period ended September 30, 2022 and the year ended March 31, 2022 the company acquired computer equipment. All equipment is stated at cost less accumulated amortization.

Cost	*Equipment*
Balance, March 31, 2021	$ -
Additions	251,729
Balance, March 31, 2022	251,729
Additions	122,070
Balance, September 30, 2022	$ 373,799

Accumulated Depreciation	*Equipment*
Balance, March 31, 2021	$ -
Additions	19,822
Balance, March 31, 2022	19,822
Additions	58,801
Balance, September 30, 2022	$ 78,623

Net book value, March 31, 2022	$ 231,907
Net book value, September 30, 2022	$ 295,176

(Unaudited - Expressed in United States dollars)

16. RIGHT-OF-USE ASSET

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

For the period ended	*September 30, 2022*	*March 31, 2022*
Balance, beginning of the period	$ 220,067	$ -
Additions	-	229,635
Depreciation expense	(57,409)	(9,568)
Balance, end of the period	$ 162,658	$ 220,067

17. LEASE LIABILITY

The following table details the change in the Company's lease liability for the periods ended September 30, 2022 and March 31, 2022.

	September 30, 2022	*March 31, 2022*
Balance, beginning of the period	$ 220,423	$ -
Additions	-	229,635
Interest expense	9,435	1,831
Lease payments	(65,709)	(11,043)
Balance, end of the period	164,149	220,423
Less: lease liability short-term	129,676	115,294
Lease liability long-term	$ 34,473	$ 105,129

The Company's annual lease payments are as follows:

Period ended	
March 31, 2023	$ 65,709
March 31, 2024	110,017
Total lease payments	175,726
Less: interest	(11,577)
Lease liability balance, September 30, 2022	$ 164,149

The Company has elected not to recognize a lease liability for leases with an expected term of 12 months or less. Additionally certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed in profit and loss as incurred. For the period ended September 30, 2022 the Company expensed $8,940 (March 31, 2022 - $nil) of payments related to low value leases and $nil (March 31, 2022 - $81,010) of payments related to short-term lease payments.

(Unaudited - Expressed in United States dollars)

18. OTHER INCOME

Other income consisted of the following:

	Three months ended September 30,		*Six months ended September 30,*	
	2022	*2021*	*2022*	*2021*
Gain on the settlement of accounts payable	$ -	$ -	$ -	$ 377,737
Gain on conversion of SAFE	-	118,378	-	118,378
Interest earned	3,288	-	16,990	-
	$ 3,288	$ 118,378	$ 16,990	$ 496,115

19. FINANCIAL INSTRUMENTS

As of September 30, 2022, the Company's financial instruments consist of cash, restricted cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, loans payable, lease liability, 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.

(Unaudited - Expressed in United States dollars)

19. FINANCIAL INSTRUMENTS (continued)

As of September 30, 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets:				
Cash	$ 7,962,977	$ -	$ -	$ 7,962,977
Restricted Cash	$13,592	$ -	$ -	$13,592
Liabilities:				
SAFE	$ -	$ -	$ 1,025,000	$ 1,025,000

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

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.

Amounts due from related parties of $419,951 are due from companies controlled by key management personnel. As of September 30, 2022, management assessed that there is no need to provide a credit risk 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 and its holdings of cash.

Contractual cash flow requirements as of September 30, 2022 were as follows:

	<1 year	*1-2 years*	*2-5 years*	*>5 years*	*Total*
	$	*$*	*$*	*$*	*$*
Accounts payable and accrued liabilities	1,152,722	-	-	-	1,152,722
Leases	129,676	34,473	-	-	164,149
SAFE	1,025,000	-	-	-	1,025,000
Loans payable	7,752	7,752	23,256	105,777	144,537
Total	2,315,150	42,225	23,256	105,777	2,486,408

As of September 30, 2022, the Company had a working capital of $8,680,727 (March 31, 2022 - $6,328,583).

19. FINANCIAL INSTRUMENTS (continued)

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, 2022, the Company had the equivalent of $95,433 (March 31, 2022 - $75,015) in net financial assets denominated in Euros and $8,113,879 (March 31, 2022 - net financial liabilities - $35,788) net financial assets denominated in Canadian dollars.

The foreign exchange risk exposure of the Company financial instruments as at September 30, 2022 is as below:

Financial Instrument Type	*Currency CAD$*	*+/- 10% fluctuation Increase/(decrease) $ impact*	
Cash	10,648,754	779,838	(779,838)
Tax receivable	152,597	11,133	(11,133)
Prepaid deposits	1,191,499	86,932	(86,932)
Accounts payable and accrued liabilities	(911,673)	(66,516)	66,516
	11,081,178	811,388	(811,388)

Financial Instrument Type	*Currency EURO*	*+/- 10% fluctuation Increase/(decrease) $ impact*	
Restricted cash	13,886	1,359	(1,359)
Accounts receivable	114,119	11,170	(11,170)
Tax receivable	2,818	276	(276)
Accounts payable and accrued liabilities	(33,323)	(3,262)	3,262
	97,500	9,543	(9,543)

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. As of September 30, 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.

(Unaudited - Expressed in United States dollars)

20. 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 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.

21. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30,	
Six months ended	*2022*	*2021*
Cash paid for interest	$ -	$ -
Cash received for interest	$ 16,990	$ -

22. SEGMENTED NOTE

All of the Company's non-current assets as of September 30, 2022 and March 31, 2022 and all of the Company's revenue for the periods ended September 30, 2022 and September 30, 2021 were in the United States.

The operating segments have been disclosed by geographical region for the period ended September 30, 2022 and the period ended September 30, 2021 as follows:

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

	Three months ended September 30,		*Six months ended September 30,*	
	2022	*2021*	*2022*	*2021*
Customer A	100%	100%	85%	100%
Customer B	-	-	15%	-

	Three months ended September 30,		*Six months ended September 30,*	
Total (income) loss by country	*2022*	*2021*	*2022*	*2021*
United States	$ 3,289,071	$ (1,085,010)	$ 6,556,438	$ (597,964)
Canada	1,061,292	5,382,765	2,981,152	5,382,765
Total net loss	$ 4,350,363	$ 4,297,755	$ 9,537,590	$ 4,784,801

23. CONTINGENT LIABILITY

On July 13, 2022, the Company learned that David Thomson, a former contractor, filed a claim against VTU, Cyberlab LLC, and two directors/officers of the Company. The claim alleges violations of various sections of the California Corporations code, breach of contract, breach of covenant of good faith and fair dealing, and unjust enrichment. The claimed amount, subject to proof, is $5,000,000 in damages for breach of contract and $3,500,000 for unjust enrichment.

On September 1, 2022, the Company filed a response and counterclaim against David Thomson in Los Angeles Superior Court. The claims made by the Company against David Thomson included misappropriation of trade secrets, breach of contract, violation of the Computer Fraud and Abuse Act, violation of the California Computer Data Access and Fraud Act, conversion, violation of the Stored Communications Act, and violation of the Economic Espionage Act. The case is currently at the pleading stage, no discovery has commenced and no hearings have been scheduled.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds may be required to settle this possible obligation cannot be reliably determined.

24. 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. The Transaction resulted in a listing expense of $5,352,659.

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.

25. SUBSEQUENT EVENT

On November 3, 2022, the Company granted 1,750,000 stock options to strategic consultants of the Company with an exercise price of CAD$0.70, expiring in 1 year. 1,000,000 stock options vested on the grant date and the remaining 750,000 stock options will vest after 60 days.