

VERSES HOLDINGS INC.
(Formerly VERSES Technologies Incorporated)

FINANCIAL STATEMENTS

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Verses Holdings Inc. (Formerly Verses Technologies Incorporated)

Opinion

We have audited the financial statements of Verses Holdings Inc. (Formerly Verses Technologies Incorporated) (the "Company"), which comprise the statement of financial position as at March 31, 2021, and the statements of comprehensive loss, changes in equity and cash flows for the period from incorporation on November 9, 2020 to March 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the period from incorporation on November 9, 2020 to March 31, 2021 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements, which indicates that the Company had not yet achieved profitable operations and has an accumulated deficit of \$519,394. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

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DALE MATHESON CARR-HILTON LABONTE LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

May 11, 2022

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Statement of Financial Position

(Expressed in US Dollars)

As at	Notes	March 31, 2021
ASSETS		
CURRENT		
Cash	6	\$ 1,788,498
GST Receivable		5,637
Prepaid deposits		7,952
Total Assets		\$ 1,802,087
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	7	\$ 11,688
Total Liabilities		11,688
SHAREHOLDERS' EQUITY		
Share capital	4	2,008,378
Contributed Surplus	4	304,377
Accumulated other comprehensive loss		(2,962)
Deficit		(519,394)
Total Shareholders' Equity		1,790,399
Total Liabilities and Shareholders' Equity		\$ 1,802,087

Nature of Business and Ongoing Concern (note 1)

Subsequent events (note 1 and 9)

Approved and authorized for issue on behalf of the Board on May 11, 2022.*"Gabriel Rene"*_____
Director*"Dan Mapes"*_____
Director

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

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Statement of Comprehensive Loss

(Expressed in US Dollars)

	Notes	From Incorporation on November 9, 2020 to March 31, 2021
EXPENSES		
Consulting fees		\$ 203,944
Share-based payments	3, 4	304,377
Legal fees		11,067
Bank charges		6
<hr/>		
Net loss for the period		519,394
 OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation to presentation currency		(2,962)
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NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (522,356)
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Loss per share, basic and diluted		\$ (0.11)
 Weighted average number of common shares outstanding – basic and diluted		
		4,695,778

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

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Statement of Changes in Equity

(Expressed in US Dollars)

	Number of Common Shares without Par Value	Share Capital	Contributed Surplus	Accumulated other Comprehensive Loss	Deficit	Total Shareholders' Equity
Shares issued on incorporation	3	\$ 1	\$ -	\$ -	\$ -	\$ 1
Shares issued pursuant to private placements	6,425,000	1,905,000	-	-	-	1,905,000
Shares issued for consulting services	325,000	103,377	-	-	-	103,377
Issuance of warrants	-	-	304,377	-	-	304,377
Currency translation adjustment	-	-	-	(2,962)	-	(2,962)
Net loss for the period	-	-	-	-	(519,394)	(519,394)
Balance, March 31, 2021	6,750,003	\$ 2,008,378	\$ 304,377	\$ (2,962)	\$ (519,394)	\$ 1,790,399

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

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Statement of Cash Flows

(Expressed in US Dollars)

	From Incorporation on November 9, 2020 to March 31, 2021
Cash provided by (used in):	
OPERATING ACTIVITIES	
Net loss for the period	\$ (519,394)
Items not involving cash:	
Share-based payment	304,377
Shares issued for consulting services	103,377
Net changes in non-cash working capital items:	
Prepaid deposits	(7,952)
GST Receivable	(5,637)
Accounts payable and accrued liabilities	11,528
Net cash used in operating activities	(113,701)
FINANCING ACTIVITY	
Shares issued for cash	1,905,001
Cash provided by financing activity	1,905,001
Effect of foreign exchange on cash	\$ (2,802)
Net change in cash	1,795,650
Cash, beginning of the period	-
Cash, end of the period	\$ 1,788,498

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

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Verses Technologies Incorporated was incorporated under the *Business Corporations Act* (British Columbia) on November 9, 2020.

1288098 B.C. Ltd. (“1288098”) was incorporated under the *Business Corporations Act* (British Columbia) on February 8, 2021, as a fully owned subsidiary of Chromos Capital Corp. (“Chromos”).

Subsequent to the March 31, 2021 period end:

- On May 28, 2021, 1288098 and Verses Technologies Incorporated completed a transaction whereby, pursuant to an amalgamation agreement, 1288098 and Verses Technologies Incorporated amalgamated and retained the name Verses Technologies Incorporated. The transaction was accounted for as an acquisition of Verses Technologies Incorporated by Chromos. Chromos acquired all the issued and outstanding shares of Verses Technologies Incorporated by issuing 6,750,003 common shares to the shareholders of Verses Technologies Incorporated.
- On June 17, 2021, Verses Technologies Incorporated changed its name to Verses Holdings Inc. (“VHI” or “Company”).

VHI’s head office, and registered and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2021, VHI had not yet achieved profitable operations and has an accumulated deficit of \$519,394 since its inception. The continuing operations of VHI are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds from there. This indicates the existence of a material uncertainty that may cast significant doubt about VHI’s ability to continue as a going concern. Management intends to finance operating costs with capital market equity financings. If VHI is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The outbreak of the coronavirus, also known as COVID 19, continues to impact worldwide economic activity. The extent to which the coronavirus may impact VHI’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain, and as such, VHI cannot determine their financial impact at this time. COVID 19 has had a negative impact on the operation, which has resulted in a decrease in sales compared to the prior period.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and interpretations of the IFRS Interpretations Committee.

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 11, 2022.

b) Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in United States dollars unless otherwise noted. The functional currency of the Company is the Canadian dollar.

c) Significant accounting estimates and judgments

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

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 judgments

- The assessment of the VHI's ability to continue as a going concern;
- The determination of categories of financial assets and financial liabilities;
- The recoverability and measurement of deferred tax assets.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments, such as guaranteed investment certificates with original maturities of three months or less. VHI did not have cash equivalents as at March 31, 2021.

e) Income taxes

Income tax on the profit or loss for the period 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.

f) Share capital

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 VHI. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. 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 quoted bid price of the common shares and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital. Charges for options or warrants that are canceled or expire are reclassified from contributed surplus to deficit.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

*(Expressed in US Dollars)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) 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.

h) Financial instruments

(i) Classification

VHI 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. VHI determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by VHI'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 other equity instruments, on the day of acquisition VHI 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 VHI has opted to measure them at FVTPL.

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

Financial assets/liabilities	Classification under IFRS 9 <i>Financial Instruments</i>
Cash	FVTPL
Advance to Verses Labs. Inc.	Amortized cost
Account payable	Amortized cost

(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.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

(ii) Measurement (continued)

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

(iii) Impairment of financial assets at amortized cost

VHI recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, VHI 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, VHI measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. VHI shall recognize in the statement of 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.

(iv) Derecognition

Financial assets

VHI 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 the statement of loss.

i) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The presentation currency of the Company is the US dollar.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Foreign currency transactions (continued)

Transactions and balances

Foreign currency transactions are recorded at the rate of exchange existing on the transaction date. Foreign currency monetary assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items measured at historical cost continued to be carried at the exchange rates at the dates of the transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of is treated in line with the recognition of the gain or loss on the change in fair value of such an item.

Translation to presentation currency

The assets and liabilities of the Company are translated into US dollars at year-end exchange rates. Income and expenses, and cash flows are translated in US dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in equity.

3. RELATED PARTY TRANSACTIONS

VHI'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.

During the period ended March 31, 2021, the Company paid Caerus Capital Corp. ("Caerus"), a company owned by VHI directors, \$203,944 (CAD\$260,000) for consulting fees. The Company also issued Caerus 1,250,000 warrants pursuant to a consulting contract and issues 325,000 common shares. The warrants are exercisable at a price of CAD\$0.40 per share expiring on April 15, 2026. The fair value of share-purchase warrants was \$304,377 (CAD\$388,038).

During the period ended March 31, 2021, two corporations subscribed to 1,675,000 shares and 1,350,000 shares of which finders fees of \$140,000, including 175,000 finders' shares were paid to them during the period ended March 31, 2021.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

*(Expressed in US Dollars)***4. SHARE CAPITAL**

a) Authorized: Unlimited common shares without par value.

b) Issued and outstanding.

During the period ended March 31, 2021:

In November 2020, VHI issued 3 common shares on incorporation at \$0.001.

In January 2021, VHI issued 6,250,000 common shares at \$0.3181(CAD\$0.40) for proceeds of \$1,905,000 (CAD\$2,500,000). The Company issued 175,000 shares as finders' shares valued \$0.3181(CAD\$0.40) to significant shareholders with respect to the private placement.

In March 2021, the Company issues 325,000 shares to Caerus for consulting fees.

c) Share purchase warrants

The following share purchase warrants are outstanding as at March 31, 2021:

Expiry Date	Exercise Price	Number of Shares	Remaining Contractual Life (Years)
April 15, 2026	\$0.40	1,250,000	4.98

The Company issued 1,250,000 share purchase warrants exercisable at a price of CAD\$0.40 per share expiring on April 15, 2026. The fair value of share-purchase warrants was \$304,377 (CAD\$388,038), estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.90%
Estimate life	4.98 years
Expected volatility	106%
Expected dividend yield	0%

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

(Expressed in US Dollars)

5. MANAGEMENT OF CAPITAL

VHI's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. VHI's primary source of funds comes from the issuance of common shares. VHI does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements. VHI's objective when managing capital is to safeguard VHI's ability to continue as a going concern.

VHI defines its capital as shareholders' equity. Capital requirements are driven by VHI's general operations. To effectively manage VHI's capital requirements, VHI monitors expenses and overhead to ensure costs and commitments are being paid. There were no changes in VHI's approach to capital management during the period.

6. FINANCIAL INSTRUMENTS

Fair value

As at March 31, 2021, VHI's financial instruments consist of cash and accounts payable.

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

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

The carrying value of the Company's financial instruments approximate their fair values due to their short- term maturities. Cash is measured at fair value on a recurring basis based on level 1 inputs.

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 VHI to concentrations of credit risk consists principally of cash. To minimize the credit risk, VHI places its cash with high quality financial institutions.

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

*(Expressed in US Dollars)***6. FINANCIAL INSTRUMENTS (CONTINUED)***Liquidity risk*

Liquidity risk is the risk that VHI will not be able to meet its financial obligations as they fall due. VHI is not exposed to significant liquidity risk.

As at March 31, 2021, VHI had cash of \$1,788,498 available to apply against short-term business requirements.

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. As at March 31, 2021, VHI has no transaction in foreign currency.

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. VHI is not exposed to significant interest rate risk.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

For the period ended	March 31, 2021
Accounts payable	\$ 10,483
Accrued liabilities	1,205
	<u>\$ 11,688</u>

VERSES HOLDINGS INC. (FORMERLY VERSES TECHNOLOGIES INCORPORATED)

Notes to the Financial Statements

For the period from incorporation on November 9, 2020 to March 31, 2021

*(Expressed in US Dollars)***8. INCOME TAXES**

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2021
Net loss	\$ (519,394)
Combined statutory tax rate	27%
Expected income tax recovery at statutory rates	(140,236)
Benefits not recognized	140,236
Income tax expense	\$ -

As at March 31, 2021, the Company has non-capital losses carried forward of approximately CAD\$662,000, which are available to offset future years' taxable income and expire in 2041.

9. SUBSEQUENT EVENTS

On May 28, 2021, 1288098 and Verses Technologies Incorporated completed a transaction whereby, pursuant to an amalgamation agreement, 1288098 and Verses Technologies Incorporated amalgamated and retained the name Verses Technologies Incorporated. The transaction was accounted for as an acquisition of Verses Technologies Incorporated by Chromos. Chromos acquired all the issued and outstanding shares of Verses by issuing 6,750,003 common shares to the shareholders of Verses Technologies Incorporated.

The Amalgamation was accounted for as an asset acquisition whereby Chromos is reflected as the accounting acquirer and Verses Technologies Incorporated as the accounting acquiree. Management has evaluated that Verses Technologies Incorporated did not meet the definition of a business as defined by IFRS 3 Business Combinations, as it did not have the inputs and processes necessary to produce outputs; therefore, the Amalgamation was accounted for under IFRS 2, where the difference between the consideration given to acquire VHI and the net asset value of VHI is recorded as an acquisition expense to net loss.