

## VERSES HOLDINGS INC. (Formerly Verses Technologies Incorporated)

### Management's Discussion and Analysis

As of May 11, 2022

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This Management Discussion and Analysis (“MD&A”) of VERSES Holdings Inc. (formerly Verses Technologies Incorporated) (“Company” or “VERSES”) is for the period ended March 31, 2021, and is prepared by management using information available as of May 11, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements of the company for the year ended March 31, 2021, and the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. This MD&A complements and supplements, but does not form part of, the Company’s consolidated financial statements.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Company’s exploration programs or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language.

This MD&A is prepared in conformity with National Instrument (“NI”) 51-102F1 *Continuous Disclosure Obligations*. All dollar amounts referred to in this MD&A are expressed in United States dollars unless otherwise indicated.

#### BUSINESS OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on November 9, 2020 with the objective of raising funds and be part of a three-cornered amalgamation with the Verses Technologies Inc. (formerly Chromos Capital Corp.) and Verses Technologies USA Inc. (formerly Verses Labs Inc.).

VERSES is a next generation technology company that is developing the COSM™ Operating System (“COSM”) which accelerates next generation application development and deployment by helping manage network level resources (identity, credentials, access control, context, compute, storage, bandwidth, etc.) on the Spatial Web™ (as defined below).

VERSES also develops first party Spatial Web applications built on COSM, and anticipates opening the COSM Exchange - a marketplace for connectors, datasets, and Artificial Intelligence (“AI”) models for third party services and developers with early access in late 2022 and with scalable growth in early 2023.

VERSES’ business is based on the vision of the “Spatial Web” – an open, hyper-connected, context-aware, ethically-aligned network of humans, machines and AI. COSM is the network operating system for the Spatial Web and streamlines development and deployment of applications on the Spatial Web.

COSM is the spatial computing operating system which will be an inter-operating platform for developing and deploying autonomous applications on the Spatial Web. COSM is designed to be hardware and software agnostic. It will enable context-aware information and activities to be collaboratively shared between dynamic plug and play networks of devices and applications.

VERSES’ initial COSM application, Wayfinder™ (“Wayfinder”), is focused on optimizing and automating warehouse operations by improving the use of space and the flow of assets via AI-assisted routing and predictive intelligence.

VERSES invests heavily in research and development with activities centered around developing a Spatial Web Operating System for improving the enrichment and flow of context between systems. This includes ongoing exploration of the following:

- Spatial Domain Name System for routing queries to the appropriate endpoints and serving spatial content
- Spatial Domain Registries and Spatial Web Search capabilities and services
- Mapping information and sensor data streams as graph relationships and interdependencies
- Transcribing regulatory policies and into machine executable code
- Defining requirements and restrictions as parameters for generating adaptive goal-oriented pathways and emergent solutions

- Developing machine learning models, and algorithms to simulate and optimize routing, inventory volume and placement as well as curation, delegation, scheduling, and sequencing of recommended actions

The majority of research and development is performed in-house supplemented by subcontractors who are domain experts in their respective fields (i.e. self sovereign identity, blockchain, active inference). Additional effort is spent learning how to apply and configure these general offerings to specific problems in different industries.

The management of VERSES' business requires a high degree of competence in a variety of general aspects including operations, software development, sales and marketing, legal compliance, human resources, finance, and accounting. Given the horizontal applicability of VERSES' offerings across many sectors, the Company leverages domain experts, advisors, and consultants for translating its core value proposition into the respective domain specific use cases and jargon in order to accelerate sales cycles (e.g. healthcare vs logistics). The VERSES team includes members with deep expertise in specialized areas such as data science, artificial intelligence, user experience design, cybersecurity, distributed identity, and systems integration and is an important competitive advantage.

#### *Intangible properties*

VERSES recognizes the importance of its intangible assets such as brand names, relationships with customers and partners, licenses, and trade secrets. In order to protect its products and processes, VERSES periodically reviews opportunities to register copyrights, trademarks, and patents in different countries.

#### *REGULATORY ENVIRONMENT*

VERSES operates in a variety of industries, some heavily regulated (e.g. health-care, finance). As a result, the Company factors in many different laws, agency regulations and rulesets when developing and implementing its products and services. Some examples would include the following:

##### *Data Privacy*

Because our software and services can involve, among other things, the collection, transmission and management of potentially sensitive, personally-identifiable data, we make best efforts to comply with data privacy and security laws applicable to each location and/or sector that we participate in. Examples of these laws include, but are not limited to: (i) the European General Data Protection Regulation (GDPR); (ii) the California Consumer Privacy Act (CCPA) and its equivalents in other U.S. states; (iii) the Health Insurance Portability and Accountability Act (HIPAA); (iv) the Children's Online Privacy Protection Act (COPPA); and other rulesets. We are not only sensitive to the importance of these regulations, and routinely employ "privacy by design" when crafting our various applications and service offerings. In fact, we specifically designed COSM to enable policymakers to express such laws digitally (as code, similar to "smart contracts") in order to ensure accountability and compliance, as today these (analog) laws are often difficult to enforce.

##### *Intellectual Property*

VERSES respects the intellectual property rights of others, and always seeks to ensure that its offerings are not used to violate those rights. In order to ensure our ongoing commitment to respecting the intellectual property of others, VERSES has conducted extensive patent prior art clearance searches and Trademark reviews. Additionally, we periodically audit and ensure compliance with the terms and conditions of all critical proprietary and open-source software licenses used in our offerings. Further, we seek to participate in community development efforts by making all reasonable efforts to return back any bug or security fixes into the upstream code repositories.

##### *Privacy and Cybersecurity*

VERSES' business can involve the collection, transmission, and management of potentially sensitive, personally-identifiable data of third parties. As a result, we have established a variety of physical, administrative and technical measures to help protect users' privacy and ensure cybersecurity. These include, without limitation: access control,

multi-factor authentication, encryption, network firewalls, intrusion detection, performance monitoring, disaster recovery, security incident handling, password management tools, mobile device management and more.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information from the inception on November 9, 2020 to the year ended March 31, 2021 (“Fiscal 2021”) of the Company. The selected financial information set out below has been derived from the audited annual financial statements and accompanying notes, in each case prepared in accordance with IFRS. The following discussion should be read in conjunction with the audited financial statements, and it may not be indicative of the Company’s future performance.

	<b>Fiscal 2021</b>
Total revenue	\$ Nil
Net comprehensive loss for the fiscal year	\$(522,356)
Loss per share, basic and fully diluted	\$ (0.11)
Total assets	\$1,802,087
Total liabilities	\$ (11,688)

The following table provides an overview of the financial results in Fiscal 2021 of the Company:

	<b>Fiscal 2021</b>
Operating expenditures:	
Management fees	\$ 203,944
Share-based payments	304,377
Legal Fees	11,067
Other general and administrative expenses	6
	<u>519,394</u>
Profit before other income (loss)	(519,394)
Foreign exchange difference from translation	(2,962)
Net Loss and Comprehensive Loss for the Year	<u>\$ (522,356)</u>

DISCUSSIONS OF OPERATIONS

The Company recorded a net loss and comprehensive loss of \$522,356 in Fiscal 2021. Losses were mainly related to management fees, shares issuance costs, and legal fees incurred in the period.

Operating expenses

Operating expenses of the Company were \$351,170 in Fiscal 2021, as follows:

	<b>Fiscal 2021</b>
Management fees	\$ 203,944
Share-based payments	304,377
Legal Fees	11,067
Other general and administrative expenses	6
<b>Total</b>	<b>\$ 519,394</b>

- Management fees of \$203,944 is related to fees paid under the financial advisor consulting agreement with Caerus Capital Partners Inc., a non arm's-length company owned by one director of the company of which \$101,972 is related to the agreement fees and \$101,972 is related to the termination agreement.
- Share-based payments is from to 1,250,000 share purchase warrants exercisable at a price of \$0.40 per share expiring on April 15, 2026 the Company issued as part of the termination agreement.
- Legal Fees of \$11,067 is related to general corporate and commercial matters.

LIQUIDITY AND CAPITAL RESOURCES

	<b>Fiscal 2021</b>
Cash used in operating activities	\$ (113,701)
Cash provided by financing activities	1,905,001
Effect of foreign exchange translation	(2,802)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ 1,788,498</b>

Cash used in operating activities is comprised of net loss and net change adjusted by items not involving cash and non-cash working capital items. Cash used in operating activities was \$(113,701) in Fiscal 2021.

The cash provided by financing is from the issuance of shares with net proceeds of \$1,905,001.

As of March 31, 2021, the Company had working capital of \$1,790,399.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its success with its strategic collaborations. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings.

Historically, the Company has used net proceeds from issuances of debt and common shares to provide sufficient funds to meet its near-term asset development plans and other contractual obligations when due.

#### USE OF PROCEEDS FROM FINANCING

The Company intends to transfer its available funds to its parent company, VERSES, to be utilized as working capital.

Management has, and will continue to have, the discretion to modify the allocation of the Company's available funds. If management determines that a reallocation of funds is necessary, the Company may redirect its available funds towards purposes other than as described in this Prospectus. The actual amount that the Company spends in connection with each of the intended uses of funds may vary significantly from the amounts specified above and will depend on a number of factors, including those referred to under "Risk Factors".

#### OUTSTANDING SHARE CAPITAL

The Company has unlimited authorized common shares, and the issued and outstanding share capital is as follows:

As at	The date of this MD&A	Fiscal 2021
Shares issued on incorporation	3	3
Shares issued	6,750,000	6,750,000

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

TRANSACTIONS WITH RELATED PARTIES

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.

The following fees and expenses were incurred:

	<b>Fiscal 2021</b>
Management fees, Caerus Capital Partners Inc.	\$203,944
Share purchase warrants, Caerus Capital Partners Inc.	304,377
<b>Total</b>	<b>\$508,321</b>

During the period ended March 31, 2021, the Company paid Caerus Capital Corp., a company owned by a VHI director, \$203,944 (CAD\$260,000) for consulting fees, of which, \$101,972 (CAD\$130,000) was share-based compensation related to the termination of their advisory agreement.

Also, as part of the termination agreement, the Company issued 1,250,000 share purchase warrants exercisable at a price of \$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

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.

#### 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.

#### TRANSACTIONS

On May 28, 2021, 1288098 BC Ltd., a fully owned subsidiary of Chromos Capital Corp. incorporated under the Business Corporations Act (British Columbia), and Verses Technologies Incorporated (a company incorporated under the Business Corporations Act (British Columbia)), completed a transaction whereby, pursuant to an amalgamation agreement, 1288098 BC Ltd. 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.

The Amalgamation was accounted for as an asset acquisition whereby Chromos is reflected as the accounting acquirer and VHI as the accounting acquiree. Management has evaluated that Verses 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 the Company and the net asset value of the Company is recorded as a listing expense to net loss.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information included in the unaudited condensed interim financial statements and this MD&A is the responsibility of management, and their preparation in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amount of expenses during the reported period. Actual results could differ from those estimates.

COVID-19 IMPACT ON OPERATIONS AND FINANCIAL POSITION

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. The outbreak and preventive or protective actions that governments have taken in respect of this coronavirus have resulted in a period of business disruption, reduced customer traffic, negative impact on our order fulfillment, reduced operations, and has adversely affected workforces, economies, and financial markets globally. The magnitude of the impact of COVID-19 outbreak on our business and operations remains uncertain. In addition, we may experience disruptions to our business operations resulting from quarantines, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to develop and design our products and solutions in a timely manner or meet required customer commitments.

RELIANCE ON KEY PERSONNEL

The success of the Company will be largely dependent upon the performance of its management and key employees and contractors. In assessing the risk of an investment in the shares of the Company, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the proposed management of the Company.

CONFLICTS OF INTEREST

Certain directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies. As a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The Business Corporations Act (British Columbia) (the "BCBCA") provides that in the event that a director or senior officer has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director or senior officer must disclose his or her interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. To the knowledge of the management of the Company, as at the date of this MD&A, there are no existing or potential material conflicts of interest between the Company and a director or officer of the Company, except as otherwise disclosed in this MD&A.

DIVIDENDS

To date, the Company has not paid any dividends on its outstanding common shares. Any decision to pay dividends on the shares of the Company will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions.

LIMITED OPERATING HISTORY

The Company was incorporated on November 19, 2020 and has yet to generate a profit from its activities. The Company will be subject to all of the business risks and uncertainties associated with any business enterprise,



including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions, and involve known and unknown risks, uncertainties and other factors.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. There may be factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results, or otherwise. Forward-looking statements are not a guarantee of future performance, and accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

ADDITIONAL INFORMATION

Additional information about the Company, including the financial statements, is available on the Company's website at <https://www.verses.io> and on SEDAR at [www.sedar.com](http://www.sedar.com).