This Management Discussion and Analysis ("MD&A") of VERSES Technologies USA, Inc. (formerly Verses Labs Inc.) ("Company" or "VERSES") is for the year ended March 31, 2021, and is prepared by management using information available as of May 17, 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 Corporation was incorporated on September 19, 2018 under the laws of the state of Wyoming, the United States.

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. The following are patents, copyrights, trademarks and other intangible property relevant to the Company's business:

Patents

- Smart Cart patent application 63/360,286 filed on September 21, 2021

Copyrights

- Source code for COSM and all software applications, APIs, adaptors, patches and libraries
- HyperSpace Transfer Protocol (HSTP) specifications, schematics and other documentation
- HyperSpace Markup Language (HSML) specifications, schematics and other documentation
- Proprietary images and logo designs
- Sales and marketing collateral
- Technical and investor presentations

Trademarks

- USPTO Registration No. 5838650 ("VERSES") in Cl 42 (Registered: August 20, 2019. Expires: August 19, 2029)
- USPTO Registration No. 5839158 ("THE POWER OF SMART SPACE") in Cl 42 (Registered: August, 20, 2019. Expires: August 19, 2029)
- USPTO Appl. Serial No. 90613487 ("SPATIAL WEB") in Cl 42
- USPTO Appl. Serial No. 90613529 ("Powering the Spatial Web") in Cl 42
- USPTO Appl. Serial No. 88271188 ("VERSES SPATIAL WEB PROTOCOL") in Cl 42
- USPTO Appl. Serial No. 88271290 ("SPATIAL INTELLIGENCE MANAGEMENT") in Cl 42
- USPTO Appl. Serial No. 90612603 ("COSM")
- USPTO Appl. Serial No. 90610648 ("COSM OS")
- European Appl. Serial No. 018392857 ("VERSES")
- European Appl. Serial No. 018392875 ("COSM")
- European Appl. Serial No. 018392876 ("WAYFINDER")
- European Appl. Serial No. 018392878 ("POWERING THE SPATIAL WEB")
- European Appl. Serial No. 018392879 ("SPATIAL WEB")

Miscellaneous Intangible assets

- IEEE considers HSTP protocol a "Public Imperative" and approved a Spatial Web Working Group to develop as an international standard

- IP Attorney is former SAP Chief IP Officer and Patent Counsel for R&D Global at SAP

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.

Highlights

VERSES entered into agreements with Volvo, Honeywell and AstraZeneca in 2021 to provide and test tailored logistics solutions for manufacturing, warehousing and fulfillment operations based on the COSM operating system. VERSES has a teaming agreement with Deloitte, one of the world's largest system integrators, to bring solutions to Deloitte clients and for Deloitte to lead implementations of Wayfinder and COSM to such clients. VERSES developed an active pipeline of potential clients and customers including, without limitation, Fortune 500 companies such as Mars, Johnson & Johnson, Daimler and P&G.

On August 25, 2021, VERSES entered into a service agreement with NRI Distribution to roll out Wayfinder and COSM into NRI Distribution's warehousing operations. The service agreement with NRI Distribution has a term of 11 years.

On October 21 and November 2, 2021, the Company completed two tranches of a private placement offering (the "Special Warrant Financing") of 20,000,000 special warrants (the "Special Warrants") at an issue price of CAD$0.80 per Special Warrant for aggregate gross proceeds of CAD$16,000,000. Each Special Warrant will be deemed to be exercised into one Unit (a "Special Warrant Unit") on the date that is earlier of: (i) the date on which the Company obtains a receipt from the applicable securities commissions in Canada for its final prospectus qualifying the distribution of the Special Warrant Units; and (ii) the date that is four months and a day after date of issuance of the Special Warrants. Each Special Warrant Unit will be comprised of one Subordinate Voting Share (a "Unit Share") and one-half of one Subordinate Voting Share purchase warrant (a "Unit Warrant"), each Unit Warrant entitling the holder thereof to acquire one Subordinate Voting Share (a "Unit Warrant Share") at an exercise price of CAD$1.20 per Unit Warrant Share for a period of 24 months following the date of issuance.

Subsequent to March 31, 2021, the Company repaid all loans due to related parties totalling $2,417,688

On February 22 and March 3, 2022, 21,003,077 Special Warrants were converted into class A common shares.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the year ended March 31, 2021 ("Fiscal 2021") and comparable year ended March 31, 2020 ("Fiscal 2020"). 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.

	Fiscal 2021	**Fiscal 2020**
Total revenue	$ 97,200	$ 125,000
Net loss for the fiscal year	(2,528,154)	(1,826,314)
Loss per share, basic and fully diluted	(0.25)	(0.18)
Total assets	909,247	250,768
Total liabilities	$ (7,045,690)	$ (3,859,057)

The following table provides an overview of the financial results in Fiscal 2021 as compared to Fiscal 2020:

	Fiscal 2021	**Fiscal 2020**	**Change**
Revenue	$ 97,200	$ 125,000	$ (27,800)
Cost of services	(663,466)	(377,119)	(286,347)
	(566,266)	(252,119)	(314,147)
Operating expenditures:			
Management fees	868,261	805,005	63,256
Share based payments	297,000	100,000	197,000
General and administration	707,798	385,802	321,996
	1,873,059	1,290,807	582,252
Loss before other income (loss)	(2,439,325)	(1,542,926)	(896,399)
Grant Income	208,473	-	208,473
Interest expense	(297,302)	(283,388)	(13,914)
Net loss	$ (2,528,154)	$ (1,826,314)	$ 701,840

DISCUSSIONS OF OPERATIONS

VERSES recorded a net loss of $2,528,154 in Fiscal 2021 which is 38% higher than the loss of $1,826,314 in Fiscal 2020. The 2021 increase in losses was mainly due to higher hosting and development costs of $286,347. Other expenses such as management fees (increase of $60,256), legal fees (increase of $104,040), and share-based payments (increase of $197,000) also contributed to the loss increase.

Revenues

During Fiscal 2021, the Company experienced a decrease in revenue of 22%, or $27,800.

	Fiscal 2021	Fiscal 2020
Development of software	$ 97,200	$ 125,000

Cost of Services

The company incurred $663,466 in cost of services in Fiscal 2021, this represents an increase of $286,347 when compared to Fiscal 2020.

For the year ended	Fiscal 2021	Fiscal 2020
AWS Amazon hosting to customers' developments	$ 19,828	$ 11,264
Development costs	643,638	365,855
	$ 663,466	$ 377,119

Operating expenses

Operating expenses were $1,873,059 in Fiscal 2021 compared to $1,290,807 in Fiscal 2020 which represented an increase of $582,252. The changes in operating expenses were primarily impacted by the following items:

	Fiscal 2021	Fiscal 2020	Change
Accounting fees	$ 102,311	-	$ 102,311
Legal fees	124,549	20,509	104,040
Management fees	868,261	808,005	60,256
Share-based payments	297,000	100,000	197,000
Travel and meals	6,934	105,197	(98,263)
Consulting fees	178,751	-	178,751
Other expenses	295,253	257,096	38,157
	$ 1,873,059	$ 1,290,807	$ 582,252

- Accounting fees expenses increased by $102,311 due to the increased need to engage an auditor and a specialized CPA firm as part of the preparation for listing on a public exchange.

- Legal fees increased by $104,040 in Fiscal 2021 as compared to Fiscal 2020 because general increase in financing and capital market activities.

- Management fees increased by $60,256 related to the increased engagement of management personnel.

- Share-based payments increased in $197,000 when compared to the previous year because settlements reached with key personnel.

- During Fiscal 2021, the Company had limited direct access to customers and vendors due to travel restrictions imposed by the COVID-19 pandemic. As a result, there was a reduction in travel costs of $98,263.

- Consulting fees increased by $178,751 because the team hired to provide technical expertise on geospatial infrastructure under the terms of the grant from the Innovation and Networks Executive Agency ("INEA").

LIQUIDITY AND CAPITAL RESOURCES

	Fiscal 2021	**Fiscal 2020**	**Change**
Cash used in operating activities	$ (658,272)	$ (564,729)	$ (93,543)
Cash provided by financing activities	1,525,209	569,077	956,132
Net (decrease) increase in cash and cash equivalents	$ 866,937	$ 4,348	$ 862,589

Cash used in operating activities is comprised of net loss, add-back of non-cash expenses, and net change in non-cash working capital items. Cash used in operating activities increased to $658,272 in Fiscal 2021 from $564,729 in Fiscal 2020. This increase of $93,543 is primarily due to increase in development costs.

The increase in financing activities is attributable to the issuance of SAFEs for cash proceeds of $1,732,000.

As of March 31, 2021, the Company had a negative working capital of $5,588,564 compared to the negative working capital of $3,295,315 as of March 31, 2020. Subsequent to year-end, the Company issued 20,000,000 special warrants pursuant to the private placement for gross proceeds of $12,817,106 (CAD$16,000,000) returning the Company into a positive working capital position.

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.

COMMITMENTS

In the case of a liquidity event of a subsidiary of VERSES, which includes an IPO; 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, a Royalty Payment is to be paid by VERSES to Cyberlab, LLC ("Cyberlab"), a company owned by the President and Founder of VERSES, in the amount of 10% of its interest in said liquidity event.

The Company is obligated to grant stock options ("Options"), deferred share units ("DSU"), or restricted stock unit ("RSU") after a plan is established, to qualifying consultants and employees in the future at terms to be determined at grant date based on the market price of the Company's share price at the time of grant. Subsequent to March 31, 2021, the Company assigned this obligation to VERSES Technologies Inc.

Equity Compensation Type	Company	Equity Incentive Units
Options, RSU or DSU	Verses Technologies USA, Inc.	17,478,211
Options, RSU or DSU	Verses Global BV	802,176
Options, RSU or DSU	Verses Logistics Inc.	1,062,820
Options, RSU or DSU	Verses, Inc.	2,262,829

USE OF PROCEEDS FROM FINANCING

The Company's estimated working capital as at March 31, 2022, is intended to be used as follows:

Uses of Funds	Amount
Developing and furthering adoption of the Spatial Web Protocols(1)	$350,000
Developing COSM spatial web operating system and selected applications(2)	$1,900,000
Sales and marketing for customer acquisition, branding, and public relations(3)	$1,100,000
Research and Development(4)	$550,000
Investor Relations(5)	$300,000
Listing Costs(6)	$275,000
General, Administrative & Executive Management(7)	$1,400,000
Unallocated Working Capital	$625,000
Total	**$6,500,000**

Notes:

(1) Consisting of costs for promoting the adoption of Spatial Web protocols including conference attendance and promotion, speaker engagements, promotion of business development contacts and promotion and marketing in respect of the first inaugural Spatial Web Foundation Symposium, and costs incurred by the Chief Adoption Officer's team, such as the landscape analyses, lobbying efforts, and digital marketing.

(2) Including the salaries of 12 developers - $1,140,000 and the expected salaries of additional 10 development staff up to $760,000.

(3) Consisting of costs related to sales materials and toolkits - $20,000, salaries of sales staff focused on customer acquisition - $432,000, contractor efforts for branding and general marketing including the launch of awareness

campaigns - $275,000, and salary and operating costs for marketing consultant(s) focused on executing informational campaigns with social media influencers - $373,000.
(4) Salary and operating costs for nine (9) member research team focused on neuroscience based probabilistic modeling, advanced mathematics, active inference, category theory, and machine learning to provide a sound scientific basis for highly distributed, scalable, context-aware adaptive computing architectures and applications capable of displaying autonomic enactive intelligence in any reasonable form or format.
(5) Consisting of investor relations consulting costs including, but not limited to, public relations campaign for the Listing - $125,000 and ongoing costs for investor relations campaigns - $150,000.
(6) Legal and accounting fees - $185,000, approximate NEO listing fees - $65,000 and transfer agent fees - $25,000.
(7) General, Administrative and Executive Management costs including compensation for C-Suite executives including Chief Executive Officer, President, Chief Administration Officer, Chief Financial Officer, General Counsel and outside counsel, Human Resources Manager and Human Resource consultants, and IT Management - $990,000; Director and Officer Insurance and other liability insurances such as cyber-crime and general/personal liability insurance - $250,000, third party subscription software fees, and, directors fees and travel and business development - $160,000.

The Company intends to spend its available funds as set out in this Prospectus. However, there may be situations where, due to changes in the Company's circumstances, business outlook, and/or for other reasons, that a reallocation of funds is necessary in order for the Company to achieve its overall business objectives. In addition, the current COVID pandemic as well as future unforeseen events may impact the ability of the Company to use the available funds as intended or disclosed.

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	March 31, 2021
Shares issued on incorporation	-	10,000,000
Common shares cancelled in re-organization	-	(10,000,000)
Shares issued to Class A shareholders	40,382,512	-
Shares issued to Class B shareholders	10,000,000	10,000,000

OUTSTANDING WARRANTS

As at	**Notes**	**The date of this MD&A**	**Fiscal 2021**
Warrants	(1)	1,250,000	-
Finder Warrants	(2)	1,601,000	-
Warrants	(3)	11,302,035	-
		14,153,035	-

Notes:
(1) Issued pursuant to the Amalgamation to a service provider of Former VERSES. Each warrant entitles the holder thereof to acquire one Class A Share of the Company for a price of CAD$0.40 per Class A Share until April 15, 2026.
(2) Issued in connection with the Special Warrant Financing in October and November 2021.
(3) Issued in connection with the Special Warrant Financing. Each Special Warrant Unit will be comprised of one Subordinate Voting Share (a "Unit Share") and one-half of one Subordinate Voting Share purchase warrant (a "Unit Warrant"), each Unit Warrant entitling the holder thereof to acquire one Subordinate Voting Share (a "Unit Warrant Share") at an exercise price of CAD$1.20 per Unit Warrant Share for a period of 24 months following the date of issuance.

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:

For the year ended	**Fiscal 2021**	**Fiscal 2020**
Management fees	$565,755	$465,000
Share-based payments	200,000	100,000
	$765,755	$565,000

The following management members incurred in the management fees:

	Fiscal 2021	**Fiscal 2020**
Management wages, Chief Executive Officer and Founder	$ 142,845	$ 120,000
Management wages, President and Founder	120,000	120,000
Management wages, Chief Financial Officer	66,910	30,000
Management wages, Director of Product Integration	196,000	195,000
Management wages, Company owned by Advisor	40,000	-
Total	$ 565,755	$ 465,000

Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest-free, and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at March 31, 2021 and March 31, 2020, were amounts totaling $464,789 and $368,358, respectively, due to key management personnel.

At March 31, 2021, the Company has a loan totaling $211,661 (2020 - nil) with the Chief Finance Officer. The loan bears an annual interest rate of 10% compounded daily and requires minimum monthly payments of $20,833. The loan is required to be paid on or before February 28, 2022.

At March 31, 2021, the Company has a loan of $116,168 (2020 - $142,162) with a senior executive. The loan bears an annual interest rate of 10% compounded daily.

At March 31, 2021, the Company has a loan of $77,650 ($80,173) with Green Soma, a company owned by the President and Founder. The loan bears an annual interest rate of 10% compounded daily.

At March 31, 2021, the Company has a loan of $1,590,515 (2020 - $1,846,376) with Cyberlab LLC ("Cyberlab"), a company owned by the President and Founder. The loan bears an annual interest rate of 10% compounded daily.

At March 31, 2021, the Company has a loan of $nil (2020 - $30,000) with FountainTec LLC, a company owned by a senior executive.

FINANCIAL INSTRUMENTS

As at March 31, 2021, the Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities.

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 promissory notes, amounts receivable, accounts payable and accrued liabilities all have carrying amounts that approximate their fair values, due to either the short-term nature of these instruments or the attached market rate of interest.

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

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 manages liquidity risk through the management of its capital structure, as outlined in note 9.

As at March 31, 2021, the Company had cash of $136,172, accounts payable and accrued liabilities of $1,167,700, loans payable of $547,879 and promissory notes payable of $nil. All accounts payable and accrued liabilities are due within 30 days.

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 is therefore exposed to exchange rate fluctuations. At March 31, 2021, the Company had the equivalent of $2,431 in net financial liabilities denominated in euros.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest earned on cash balances approximate fair value rates, and the Company is not at a significant risk to fluctuating interest rates. At March 31, 2021, the Company does not hold any liabilities that are subject to interest.

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.

TRANSACTIONS

In June 2021, the Company entered into a Contribution Agreement with Verses Technologies Inc. ("VTI"), a non-arms length company. Pursuant to the Contribution Agreement, the Company's shareholders exchanged all their outstanding common shares for common shares of VTI (the "Transaction"). The Transaction was completed on July 20, 2021. The Transaction will be accounted for as a reverse takeover, whereby the Company is reflected as the accounting acquirer and VTI as the accounting acquiree. Management has evaluated that VTI 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. Consequently, the Transaction was accounted for as an acquisition of VTI's net assets by the issuance of shares of the VTI to VTU's shareholders.

The fair value of the shares that will be held by shareholders of VTI was determined based on there being 14,434,603 common shares issued and outstanding as of the date of the Transaction. The fair value of the common shares was determined using a price of $0.31 (CAD $0.40) per share being the price of the May 28, 2021 warrant financing.

SIGNIFICANT ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers

Revenue represents the amount the Company has recognized for the services it has provided to its contracts with customers, net of discounts and sales taxes. The Company provides consulting, programming and customized software solutions to private and public entities.

Revenue from software development is evaluated to determine whether performance obligations are satisfied at a point in time or over time. The Company performs the following five steps when determining whether amounts are to be recognized in a given period:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contracts; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenues when the Company has satisfied the performance obligations of each service contract or milestone. When a fixed price contract has been entered into and performance obligations have been identified, the related revenues are recognized at each stage the Company satisfies a performance obligation; that is, when control and risks and rewards of the revenue contract have been passed to the customer. The performance obligations are satisfied at a point in time or over a period of time, depending on the nature of the performance obligation. A contract asset is recognized as performance obligations are complete and reclassified to accounts receivable when invoiced. A contract liability is recognized if payments are received prior to the work being completed.

IFRS 15 Cost of Revenue

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

IFRS 16 Leases

The Company adopted the requirements of IFRS 16 effective January 1, 2019. The new standard replaces International Accounting Standard 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is substantially changed.

For any new contracts entered on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration". To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

i. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
ii. The Company has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
iii. The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

The Company has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. During the year ended March 31, 2021, the Company expensed short-term leases, month-to-month memberships and leases of low value for $252,774

(2020 - $231,174, 2019 - $nil). On the consolidated statement of financial position, right-of-use assets would be included under non-current assets, and lease liabilities included under current and non-current liabilities.

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 preventative 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 September 19, 2018 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*.