

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

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

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

As at	Notes	June 30, 2022 (Unaudited)	March 31, 2022 (Audited)
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 2,664,876	\$ 6,369,903
Restricted cash	3	5,045	94,088
Accounts receivable	10	399,735	329,254
Contract assets and unbilled revenue	5	1,762,771	1,402,035
Tax receivable		48,485	26,553
Prepaid expenses	14	730,511	354,581
		5,611,423	8,576,414
Equipment	15	324,099	231,907
Right-of-use asset	16	191,362	220,067
<b>TOTAL ASSETS</b>		<b>\$ 6,126,884</b>	<b>\$ 9,028,388</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	6, 10	\$ 1,549,524	\$ 619,962
Deferred grant	3	-	74,321
Deferred revenue		252,000	252,000
Lease liability	17	131,417	115,294
SAFE	9	1,025,000	1,000,000
		2,957,941	2,061,577
Loans payable	7	145,140	145,743
Lease liability	17	61,204	105,129
<b>TOTAL LIABILITIES</b>		<b>3,164,285</b>	<b>2,312,449</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	12	20,384,147	20,384,147
Contributed surplus	13	3,018,530	1,583,782
Accumulated other comprehensive loss		(235,047)	(234,186)
Deficit		(20,205,031)	(15,017,804)
<b>Total Shareholders' Equity (Deficiency)</b>		<b>2,962,599</b>	<b>6,715,939</b>
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>		<b>\$ 6,126,884</b>	<b>\$ 9,028,388</b>

Nature of Business and Going Concern (note 1)

Commitments (note 11)

Subsequent events (note 24)

Approved and authorized for issue on behalf of the Board on August 15, 2022.

"Gabriel Rene"  
Director

"Dan Mapes"  
Director

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

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

	Notes	June 30, 2022	June 30, 2021
<b>REVENUE</b>	4	\$ 373,519	\$ 359,417
<b>COST OF REVENUE</b>		(273,785)	(305,268)
		99,734	54,149
<b>EXPENSES</b>			
Accounting fees		228,089	-
Consulting fees		195,614	-
Depreciation	15, 16	56,527	-
Investor relations		46,912	-
Legal fees		336,070	114,591
Management fees	10	288,436	550,672
Marketing		709,130	-
Office and general		235,475	59,181
Personnel expenses	10	560,799	-
Rent	17	2,220	15,210
Research and Development		1,297,222	-
Share based payments	8	1,063,241	-
Travel and meals		346,107	6,489
		(5,365,842)	(746,143)
<b>OTHER ITEMS:</b>			
Interest expense	7	(6,388)	(50,513)
Other income	18	13,702	377,737
Grant income	3	71,567	161,767
<b>NET LOSS</b>		<b>(5,187,227)</b>	<b>(203,003)</b>
Foreign exchange difference		(861)	-
<b>NET COMPREHENSIVE LOSS</b>		<b>\$ (5,188,088)</b>	<b>\$ (203,003)</b>
<b>Loss Per Class A Subordinate Voting Shares - Basic and Diluted</b>		<b>\$ (0.05)</b>	<b>\$ (0.02)</b>
<b>Loss Per Class B Proportionate Voting Shares - Basic and Diluted</b>		<b>\$ (0.32)</b>	<b>N/A</b>
<b>Weighted Average Number of Class A Subordinate Voting Shares - Basic and Diluted</b>		<b>40,382,512</b>	<b>10,000,000</b>
<b>Weighted Average Number of Class B Proportionate Voting Shares - Basic and Diluted</b>		<b>10,000,000</b>	<b>N/A</b>

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**VERSES TECHNOLOGIES INC.** (Formerly, Chromos Capital Corp.)  
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)  
For the three months ended June 30, 2022 and 2021  
(Unaudited - Expressed in United States dollars)

	Number of Class B common shares	Number of Class A common shares	Share Capital	Contributed Surplus	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficiency)
<b>Balance, March 31, 2021</b>	<b>10,000,000</b>	-	\$ 100	\$ -	\$ -	\$ (6,136,543)	\$ -	\$ (6,136,443)
Shares subscription received in advance	-	-	-	-	280,000	-	-	280,000
Net loss	-	-	-	-	-	(203,003)	-	(203,003)
<b>Balance, June 30, 2021</b>	<b>10,000,000</b>	-	100	-	280,000	(6,339,546)	-	(6,059,446)
Issuance of shares for cash	-	608,695	280,000	-	(280,000)	-	-	-
SAFE conversion to shares	-	4,336,137	1,994,622	-	-	-	-	1,994,622
Elimination of VTU shares upon RTO	(10,000,000)	(4,944,832)	-	-	-	-	-	-
VTI Shares issued to VTU shareholders	10,000,000	4,944,832	-	-	-	-	-	-
Shares and warrants of VTI upon RTO	-	14,434,603	6,639,917	529,712	-	-	-	7,169,629
Issuance of special warrants	-	-	-	-	13,582,771	-	-	13,582,771
Special warrants issuance costs	-	-	-	1,054,070	(2,113,263)	-	-	(1,059,193)
Special warrants converted to shares	-	21,003,077	11,469,508	-	(11,469,508)	-	-	-
Foreign exchange difference	-	-	-	-	-	-	(234,186)	(234,186)
Net loss	-	-	-	-	-	(8,678,258)	-	(8,678,258)
<b>Balance, March 31, 2022</b>	<b>10,000,000</b>	<b>40,382,512</b>	<b>20,384,147</b>	<b>1,583,782</b>	-	<b>(15,017,804)</b>	<b>(234,186)</b>	<b>6,715,939</b>
Issuance of restricted share units	-	-	-	7,076	-	-	-	7,076
Stock options granted	-	-	-	1,056,165	-	-	-	1,056,165
Issuance of warrants for services	-	-	-	371,507	-	-	-	371,507
Net loss	-	-	-	-	-	(5,187,227)	(861)	(5,188,088)
<b>Balance, June 30, 2022</b>	<b>10,000,000</b>	<b>40,382,512</b>	<b>\$ 20,384,147</b>	<b>\$ 3,018,530</b>	<b>\$ -</b>	<b>\$ (20,205,031)</b>	<b>\$ (235,047)</b>	<b>\$ 2,962,599</b>

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

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

	June 30, 2022	June 30, 2021
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (5,187,227)	\$ (203,003)
<b>Items not involving cash</b>		
Depreciation	56,527	-
SAFE issued for advisory services	25,000	-
Interest expense	6,388	50,513
Gain on the settlement of accounts payable	-	(377,737)
Issuance of warrants for services	371,507	-
Share based payments	1,063,241	-
	(3,664,564)	(530,227)
<b>Net changes in non-cash working capital items:</b>		
Accounts receivable	(70,481)	(47,635)
Contract assets and unbilled revenue	(360,736)	(299,417)
Tax receivable	(21,932)	12,272
Prepaid expenses	(375,930)	16,315
Accounts payable and accrued liabilities	929,562	222,881
Deferred revenue	-	44,000
Deferred grant	(74,321)	(153,378)
<b>Net cash used in operating activities</b>	(3,638,402)	(735,189)
<b>INVESTING ACTIVITIES</b>		
Investment in equipment	(120,014)	-
<b>Net cash used in investing activities</b>	(120,014)	-
<b>FINANCING ACTIVITIES</b>		
Repayments of loans	(1,938)	(100,833)
Share subscription received in advance	-	280,000
Issuance of VTI promissory note	-	250,000
Interest payment	-	(642)
Lease payments	(32,855)	-
<b>Net cash provided by financing activities</b>	(34,793)	428,525
Foreign exchange effect on cash	(861)	-
Net change in cash and restricted cash during the period	(3,794,070)	(306,664)
<b>Cash and restricted cash, beginning of the period</b>	6,463,991	871,285
<b>Cash and restricted cash, end of the period</b>	\$ 2,669,921	\$ 564,621

Supplemental cash flow information (note 21).

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

## 1. NATURE OF BUSINESS AND GOING CONCERN

Chromos Capital Corp. was incorporated under the Business Corporations Act (British Columbia) on November 19, 2020.

On June 17, 2021, Chromos Capital Corp. changed its name to Verses Technologies Inc. ("VTI" or the "Company").

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

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

For the three months ended June 30, 2022, the Company incurred a net loss of \$5,187,227 (June 30, 2021 - \$203,003) which was funded by the issuance of shares. As of June 30, 2022, the Company has an accumulated deficit of \$20,205,031 (March 31, 2022 - \$15,017,804). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from the conflict in the Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the conflict in Ukraine to the business to be limited, the indirect impacts on the economy and on the industry the company operates, and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

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

The above factors and the necessity that the Company raise sufficient funds to carry out its growth plans are conditional, in part, on the continuation of its agreements and investor support. The material uncertainty raised by these events and conditions may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not give effect to any adjustments, which would be necessary should the Company be unable to continue as a going concern. In such circumstances, the Company would be required to realize its assets and discharge its liabilities outside of the normal course of business, and the amounts realized could differ materially from those reflected in the accompanying condensed consolidated interim financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the fiscal year ended March 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on August 15, 2022.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

b) Basis of preparation

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at March 31, 2022. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2022.

c) Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. The results of the subsidiaries will continue to be included in the condensed consolidated interim financial statements of the Company until the date that the Company's control over the subsidiaries ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of the Company's principal subsidiaries at June 30, 2022 and March 31, 2022 are as follows:

<i>Name</i>	<i>Place of Incorporation</i>	<i>June 30, 2022 Interest</i>	<i>March 31, 2022 Interest</i>
Verses Technologies USA, Inc. (formerly Verses Labs Inc.) ("VTU")	Wyoming, USA	100%	100%
Verses Operations Canada Inc. ("VOC")	British Columbia, CA	100%	100%
Verses Holdings Inc. ("VHI")	British Columbia, CA	100%	100%
Verses Logistics Inc. ("VLOG")	Wyoming, USA	100%	100%
Verses Realities Inc. ("VRI")	Wyoming, USA	100%	100%
Verses Inc. ("VINC")	Wyoming, USA	100%	100%
Verses Health Inc. ("VHE")	Wyoming, USA	100%	100%
Verses Global BV ("VBV")	Netherlands	100%	100%

d) Significant accounting estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

The significant judgements made by management in the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the annual audited consolidated financial statements for the year ended March 31, 2022.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

e) Accounting standard issued but not yet effective

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning on or after January 1, 2023. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these condensed consolidated interim financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the period ended June 30, 2022, and have not been early adopted in preparing these financial statements. The Company is currently in the process of assessing the potential impacts, if any, on the Company's condensed consolidated interim financial statements. The following amendment is effective for future periods:

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

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

f) Accounting standard adopted in the current period

Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37) – The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous and the amendment was adopted on April 1, 2022. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The adoption of this accounting standard did not have a material impact on the Company's financial results.

**3. DEFERRED GRANT**

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

Under the grant agreement, Verses Global BV received \$836,393 (€712,222) upon the execution of the agreement. The funds under this agreement are to reimburse the Company for amounts spent on the project. The Company is required to submit their costs related to the project and only approved expenses under the project are reimbursed.

	<i>June 30, 2022</i>	<i>March 31, 2022</i>
Balance, beginning of the period	\$ 74,321	\$ 626,596
Recognized as grant income	(71,567)	(544,875)
Foreign exchange adjustment	(2,754)	(7,400)
Balance, end of the period	\$ -	\$ 74,321

Of the expenses incurred, \$26,374 (March 31, 2022 - \$19,073) are outstanding in accounts payable and accrued liabilities, with \$5,045 (March 31, 2022 - \$94,088) remaining in restricted cash.



#### 4. REVENUE

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

For the period ended	<i>June 30, 2022</i>	<i>June 30, 2021</i>
Recognized at a point in time	\$ 98,000	\$ 292,750
Recognized over the duration of contracts	275,519	66,667
	<u>\$ 373,519</u>	<u>\$ 359,417</u>

Contracts with an expected duration of greater than a year contain performance obligations which are not yet satisfied in an amount of \$6,085,640 (June 30, 2021 - \$8,764,583). The remaining allocated transaction price will be recognized as revenue as performance obligations are completed.

#### 5. CONTRACT ASSETS AND UNBILLED REVENUE

	<i>Contract assets</i>	<i>Unbilled revenue</i>	<i>Total</i>
Balance, March 31, 2021	\$ -	\$ -	\$ -
Additions	263,194	1,138,841	1,402,035
Balance, March 31, 2022	263,194	1,138,841	1,402,035
Additions	157,814	275,519	433,333
Revenue recognition	(72,597)	-	(72,597)
Balance, June 30, 2022	<u>\$ 348,411</u>	<u>\$ 1,414,360</u>	<u>\$ 1,762,771</u>

#### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<i>June 30, 2022</i>	<i>March 31, 2022</i>
Accounts payable	\$ 1,502,964	\$ 539,532
Accrued liabilities	46,560	80,430
	<u>\$ 1,549,524</u>	<u>\$ 619,962</u>

#### 7. LOANS

Loan activity consisted of the following:

<i>For the period ended</i>	<i>June 30, 2022</i>	<i>March 31, 2022</i>
Balance, beginning of the period	\$ 145,743	\$ 547,879
Additions	-	275,000
Repayment	(1,938)	(743,122)
Interest expense	1,335	38,486
Financing fee	-	27,500
Balance, end of the period	<u>\$ 145,140</u>	<u>\$ 145,743</u>

## 7. LOANS (continued)

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

- (i) On July 1, 2021, the Company received a \$125,000 loan from a related party. The loan is unsecured and has an annual interest rate of 10% starting on July 1, 2021 and 10% financing fee, and requires monthly payments of \$20,833. The loan was repaid in full in January 2022.
- (ii) On July 30, 2021, the Company received a \$150,000 loan from a related party. The loan is unsecured and has an annual interest rate of 10% starting on July 30, 2021 and 10% financing fee, and requires monthly payments of \$20,833. The loan was repaid in full in January 2022.

## 8. SHARE BASED PAYMENTS

On June 16, 2022, the Company granted:

- (i) 2,500,000 stock options to new directors with an exercise price of CAD\$0.80, expiring in 5 years and vesting 25% on the date of listing of the Class A shares on the NEO Stock Exchange ("Listing") and 25% each 6 months thereafter (note 10). The stock options were fair valued at \$1,168,994.
- (ii) 550,000 stock options to strategic consultants of the Company with an exercise price of CAD\$0.80, expiring in 5 years, and vested immediately upon grant. The stock options were fair valued at \$257,178.
- (iii) 1,000,000 stock options to the Company's financial advisor with an exercise price of CAD\$0.80, expiring in 5 years, and vested immediately upon grant. The stock options were fair valued at \$467,598.
- (iv) 500,000 restricted share units ("RSUs") to a new director, with no exercise price and expiring in 10 years, vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter (note 10). The RSUs were fair valued at \$309,400.

	Number of stock options	Weighted Average Exercise Price (CAD)
Balance, March 31, 2022 and March 31, 2021	-	-
Granted	4,050,000	\$ 0.80
Balance, June 30, 2022	4,050,000	\$ 0.80

Expiry date	Weighted Average Remaining Contractual		Outstanding
	Life in Years	Exercise Price (CAD)	
June 15, 2027	4.96	\$ 0.80	4,050,000

The total fair value of the stock options was \$1,893,770, estimated using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD\$0.80
Risk-free interest rate	3.31%
Estimate life	5 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividend yield	0%

**8. SHARE BASED PAYMENTS (continued)**

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

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

Expiry date	Weighted Average Remaining Contractual Life in Years	Outstanding
June 13, 2032	9.96	500,000

**9. SIMPLE AGREEMENTS FOR FUTURE EQUITY (“SAFEs”)**

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

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

For the three months, ended June 30, 2022, the SAFE activity is described as follows:

- (i) The Company’s subsidiary, VLOG, issued a SAFE worth \$25,000 in exchange for advisory services provided in the subsidiary.

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

- (ii) The Company converted SAFEs worth \$1,994,622 into 4,336,137 Class A shares. The number of shares issued is based on the Purchase Amount divided by the Company’s conversion price which was determined to be the share value of the most recent private placement then valued at \$0.46.
- (iii) The Chief Commercial Officer converted SAFEs resulting in a gain of \$118,378 to the Company.

## 10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties consist of the directors, executive officers and companies owned in whole or in part by them. Transactions are measured at the exchange amount, which is the amount agreed to by the parties.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and senior officers.

The following fees and expenses were incurred:

<i>For the period ended</i>	<i>June 30, 2022</i>	<i>June 30, 2021</i>
Management fees	\$ -	\$ 211,914
Management salaries and benefits included in personnel expenses	288,436	-
Share-based payments (note 8)	338,465	-
	<b>\$ 626,901</b>	<b>\$ 211,914</b>

Amounts due to or from related parties, including amounts due to key management personnel, at the period-end are unsecured, interest-free, and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at June 30, 2022 were amounts totaling \$nil (March 31, 2022 - \$12,867) due to key management personnel. Included in accounts receivable at June 30, 2022 were amounts totalling \$301,734 (March 31, 2022 - \$186,254) due from a company controlled by key management personnel.

During the period ended June 30, 2022, Board of Directors of the Company received 2,500,000 stock options (March 31, 2022 - nil) with an exercise price of CAD\$0.80, expiring in 5 years and vesting 25% on the date of listing of the Class A shares on the NEO Stock Exchange ("Listing") and 25% each 6 months thereafter, and 500,000 restricted share units (March 31, 2022 - nil) vesting 1/3 on the first anniversary of the Listing and 1/3 each subsequent anniversary thereafter.

## 11. COMMITMENTS

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

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

<b>Equity Compensation Type</b>	<b>Company</b>	<b>Equity Incentive Units</b>
Options, RSU or DSU	Verses Technologies Inc.	13,047,950
Options, RSU or DSU	Verses Global BV	800,000
Options, RSU or DSU	Verses Logistics Inc.	1,057,500
Options, RSU or DSU	Verses, Inc.	2,455,845

## 11. COMMITMENTS (continued)

The Company has also entered into severance agreements with executives of the Company. In the case of involuntary termination or a change in control, the executives are entitled to a monetary payment equal to 12 months worth of base salary, continuation for 12 months of medical and dental insurance under COBRA or similar procedural mechanisms, and immediate, accelerated vesting of all stock options, equity, and related compensation.

## 12. SHARE CAPITAL

### a) Authorized common shares

Effective July 20, 2021, the Company amended its Articles to create an unlimited number of Class A Subordinate Voting Shares (the "Class A share") and unlimited number of Class B Proportionate Voting Shares (the "Class B share"). Each Class A share shall entitle the holder thereof to one vote. Each Class B share shall entitle the holder thereof to 6.25 votes and such proportionate dividends and liquidation rights. Each Class B share is convertible, at the option of the holder, into 6.25 Class A shares.

### b) Issued

On June 30, 2022, the Company had 40,382,512 Class A shares and 10,000,000 Class B shares issued and outstanding.

### c) Escrowed securities

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

25% of the Escrowed Securities have been released. The remaining Class A and Class B shares held in escrow will be released on December 28, 2022 ( $\frac{1}{3}$ ), June 28, 2023 ( $\frac{1}{3}$ ), and December 28, 2023 ( $\frac{1}{3}$ ).

## 13. WARRANTS

During the period ended June 30, 2022, the Company issued:

- (i) 818,794 warrants to a strategic consultant for services related to branding and communications services of the Company with an exercise price of CAD\$0.80, expiring in 2 years. The warrants were fair valued at \$271,507 estimated using the Black-Scholes option pricing model with the following assumptions:

Share price at grant date	CAD\$0.80
Risk-free interest rate	3.24%
Estimate life	2 years
Expected volatility (based on comparable publicly listed entities)	100%
Expected dividend yield	0%

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- (ii) 160,000 warrants to strategic consultants for services related to corporate advisory services of the Company with an exercise price of CAD\$0.80, expiring in 2 years. The warrants were fair valued at \$100,000 based on the fair value at the services provided.

**VERSES TECHNOLOGIES INC.** (Formerly, Chromos Capital Corp.)  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended June 30, 2022 and 2021  
(Unaudited - Expressed in United States dollars)

**13. WARRANTS (continued)**

The table below summarizes the information on the outstanding warrants of the Company for the period ended June 30, 2022 and March 31, 2022.

	Number of warrants	Weighted Average Exercise Price (CAD)
Balance, March 31, 2021	-	\$ -
Assumed from VHI	1,250,000	0.40
Issued for special warrants	21,003,077	0.80
Issued	10,501,537	1.20
Issued for finders warrants	1,601,000	0.80
Exercised	(21,003,077)	0.80
Balance, March 31, 2022	13,352,537	1.08
Issued	978,794	0.80
Balance, June 30, 2022	14,331,331	\$ 1.06

Pursuant to National Policy 46-201, 97,500 warrants exercisable to acquire one unit warrant share at an exercise price of \$1.20 per unit warrant share until February 22, 2024 held by principals of the Company are currently held in escrow. 25% of the warrants held in escrow have been released. The remaining warrants held in escrow will be released on December 28, 2022 ( $\frac{1}{3}$ ), June 28, 2023 ( $\frac{1}{3}$ ), and December 28, 2023 ( $\frac{1}{3}$ ).

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

Expiry date	Weighted Average Remaining Contractual Life in Years	Exercise Price (CAD)	Outstanding
April 15, 2026	3.79	\$ 0.40	1,250,000
October 21, 2023	1.31	0.80	810,541
November 2, 2023	1.34	0.80	790,459
February 22, 2024	1.65	1.20	6,591,631
March 2, 2024	1.68	1.20	3,909,906
June 13, 2024	1.96	0.80	978,794
	1.83	\$ 1.06	14,331,331

**14. PREPAID EXPENSES**

Prepaid expenses consisted of the following:

	June 30, 2022	March 31, 2022
Deposit	\$ 59,535	\$ 77,612
Retainer	13,000	164,673
Insurance	494,091	29,209
Subscriptions	163,885	83,087
Balance, end of the period	\$ 730,511	\$ 354,581

**15. EQUIPMENT**

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

<b>COST</b>	<b>Equipment</b>
Balance, March 31, 2021	\$ -
Additions	251,729
Balance, March 31, 2022	251,729
Additions	120,014
Balance, June 30, 2022	\$ 371,743

**ACCUMULATED DEPRECIATION**

Balance, March 31, 2021	\$ -
Additions	19,822
Balance, March 31, 2022	19,822
Additions	27,822
Balance, June 30, 2022	\$ 47,644
Net book value, March 31, 2022	\$ 231,907
Net book value, June 30, 2022	\$ 324,099

**16. RIGHT-OF-USE ASSET**

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

<i>For the period ended</i>	<i>June 30, 2022</i>	<i>March 31, 2022</i>
Balance, beginning of the period	\$ 220,067	\$ -
Additions	-	229,635
Depreciation expense	(28,705)	(9,568)
Balance, end of the period	\$ 191,362	\$ 220,067

## 17. LEASE LIABILITY

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

	<i>June 30, 2022</i>	<i>March 31, 2022</i>
Balance, beginning of the period	\$ 220,423	\$ -
Additions	-	229,635
Interest expense	5,053	1,831
Lease payments	(32,855)	(11,043)
Balance, end of the period	192,621	220,423
Less: lease liability short-term	131,417	115,294
Lease liability long-term	\$ 61,204	\$ 105,129

The Company's annual lease payments are as follows:

### **Period ending**

March 31, 2023	\$ 98,563
March 31, 2024	110,017
<b>Total lease payments</b>	<b>208,580</b>
Less: interest	(15,959)
<b>Lease liability balance, June 30, 2022</b>	<b>\$ 192,621</b>

The Company has elected not to recognize a lease liability for leases with an expected term of 12 months or less. Additionally certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed in profit and loss as incurred. For the period ended June 30, 2022 the Company expensed \$2,220 (March 31, 2022 - \$nil) of payments related to low value leases and \$nil (March 31, 2022 - \$81,010) of payments related to short-term lease payments.

## 18. OTHER INCOME

Other income consisted of the following:

<i>For the period ended</i>	<i>June 30, 2022</i>	<i>June 30, 2021</i>
Gain on the settlement of accounts payable	\$ -	\$ 377,737
Interest earned	13,702	-
	\$ 13,702	\$ 377,737



## 19. FINANCIAL INSTRUMENTS

As at June 30, 2022, the Company's financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, loans payable, lease liability, and SAFEs.

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

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

The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

The fair value of cash and restricted cash is measured using level 1 inputs and the fair value of SAFEs is measured using level 3 inputs.

The carrying value of the Company's other financial instruments approximate their fair values due to their short-term maturities.

There were no transfers between the levels of the fair value hierarchy during the year.

<b>As of June 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Cash	\$ 2,664,876	\$ -	\$ -	\$ 2,664,876
Restricted Cash	\$5,045	\$ -	\$ -	\$ 5,045
<b>Liabilities:</b>				
SAFE	\$ -	\$ -	\$ 1,025,000	\$ 1,025,000

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

**19. FINANCIAL INSTRUMENTS (continued)**

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash and accounts receivable. To minimize the credit risk, the Company places its cash with high quality financial institutions.

Subsequent to June 30, 2022, the Company received \$50,000 of the trade accounts receivable balance of \$98,000 and the remaining balance is not yet past due. The remaining accounts receivable of \$301,913 are due from companies controlled by key management personnel. The credit risk is low.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Contractual cash flow requirements as at June 30, 2022 were as follows:

	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	1,549,524	-	-	-	1,549,524
Leases	98,563	110,017	-	-	208,580
SAFE	1,025,000	-	-	-	1,025,000
Loans payable	7,752	7,752	23,256	106,380	145,140
<b>Total</b>	<b>2,680,839</b>	<b>117,769</b>	<b>23,256</b>	<b>106,380</b>	<b>2,928,244</b>

As at June 30, 2022, the Company had a working capital of \$2,653,482 (March 31, 2022 - \$6,514,837).

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. The Company has financial assets denoted in Euros, and Canadian dollars, and is therefore exposed to exchange rate fluctuations. As at June 30, 2022, the Company had the equivalent of \$21,261 (March 31, 2022 - \$75,015) in net financial liabilities denominated in Euros and \$175,004 (March 31, 2022 - \$35,788) net financial liabilities denominated in Canadian dollars.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest earned on cash balances approximate fair value rates, and the Company is not at a significant risk to fluctuating interest rates. As at June 30, 2022, the Company does not hold any liabilities that are subject to fluctuations in market interest rates.

*Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

## 20. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of their technology. The Company considers the items in shareholders' equity (deficiency) as capital. There has been no change to what the Company considers capital from the prior year. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares, dispose of assets or adjust the amount of cash. There has been no change to how capital is managed from the prior year.

## 21. SUPPLEMENTAL CASH FLOW INFORMATION

	For the period ended	
	June 30, 2022	June 30, 2021
Cash paid for interests	\$ 1,938	\$ 50,513
Cash received for interest	\$ 13,702	\$ -

## 22. SEGMENTED NOTE

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

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

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

For the period ended	June 30, 2022	June 30, 2021
Customer A	74%	65%
Customer B	26%	-

Total loss by country	June 30, 2022	June 30, 2021
United States	\$ 3,267,367	\$ 203,003
Canada	1,919,860	-
Total net loss	\$ 5,187,227	\$ 203,003

### **23. CONTINGENT LIABILITY**

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

The Company is vigorously contesting the claim and intends to counter sue for breach of contract and theft of personal property and intellectual property.

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

### **24. SUBSEQUENT EVENTS**

On August 11, 2022 the Company raised gross proceeds of CAD\$5,240,000 by issuing 5,240,000 units of the Company at a price of CAD\$1.00 per unit. Each unit is comprised of one Class A Share of the Company and one-half of a Class A Share purchase warrant. Each whole purchase warrant is exercisable into one Class A Share of the Company at a price of CAD\$1.20 per purchase warrant until August 15, 2025. In relation to the financing the Company paid cash finders fees of CAD\$397,800 and issued 397,800 finders warrants. Each finders warrant is exercisable into one Class A Share of the Company at a price of CAD\$1.20 per finders warrant until August 15, 2025.