ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2025 as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. Unless stated otherwise or the context otherwise requires, in this Quarterly Report on Form 10-Q, references to "CAD$" are to Canadian dollars and references to "$" are to United States dollars. On June 30, 2025, the noon buying rates in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, referred to as the "Noon Buying Rate", for the conversion of Canadian dollars into United States dollars was CAD$1.00 equals $0.7330.

Unless the context otherwise requires, references to "we", "our", "us", the "Company" or "VERSES" mean Verses AI Inc. and its subsidiaries.

Overview

VERSES is a cognitive computing company specializing in next generation intelligence software systems. We are primarily focused on developing an intelligence-as-a-service smart software platform called Genius. Our business is based on the vision of the "Spatial Web" - an open, hyper-connected, context-aware, governance-based network of humans, machines and intelligent agents. Our ambition is to build tools that enable the Spatial Web and to become a leader in the transition from the information age to the intelligence age.

We launched a private beta program of Genius in early 2024 with a few select users with whom we had existing business relationships and launched a public beta program for a broader number of developers in the second half of 2024. This public beta program included enhanced functionalities and was intended to help us increase our potential customer base, while refining our product offerings in anticipation of the 1.0 launch of Genius

On April 30, 2025, we announced the launch of our flagship product, called Genius, which is designed to enable agentic intelligence for enterprises. The initial target audience for Genius is machine learning and data science professionals trying to solve enterprise problems that require prediction where there is uncertainty or hidden factors. Genius is designed to provide the tools necessary to build domain-specific models that are intended to improve decision-making (inference as a service) for third-party agents through our software development kits/ application programming interfaces and model editor. We intend to market Genius to developers as a Software as a Service ("SaaS") for making their applications smarter, safer and more sustainable. We anticipate offering multiple subscription tiers priced based on usage and pricing will be informed by various performance metrics gathered during the beta program.

Genius includes:

- Intelligent, autonomous software agents
- A visual model editor for building and testing AI models
- APIs to integrate with existing enterprise systems
- A full-featured developer portal for rapid deployment

Recent Developments

On July 11, 2025, the Company closed of a public offering of 1,007,764 units at $6.946 (CAD$9.50) per unit for gross proceeds of approximately $7,000,331 (CAD$9,573,758), before deducting commissions and estimated expenses incurred in connection with the offering. Each unit consists of one Class A Subordinate Voting Share of the Company and one-half of one Class A Subordinate Voting Share purchase warrant. Each whole warrant is exercisable to acquire one Class A Subordinate Voting Share at a price of $8.41 (CAD$11.50) per share for a period of 36 months from the date of issuance.

Selected Financial Information

	Three months ended June 30, 2025	Three months ended June 30, 2024	$ Change	% Change
REVENUE	$ 300,000	$ -	$ 300,000	N/A
COST OF REVENUE	(184,061)	-	(184,061)	N/A
NET REVENUE	115,939	-	115,939	N/A
OPERATING EXPENSES				
Cash expenses				
Accounting fees	(162,487)	(149,881)	(12,606)	8%
Consulting fees	(717,086)	(1,162,170)	445,084	-38%
Investor relations and marketing	(1,630,034)	(1,465,529)	(164,505)	11%
Legal fees	(815,363)	(437,914)	(377,449)	86%
Board fees	(58,786)	(25,126)	(33,660)	134%
Office and general	(460,487)	(432,266)	(28,221)	7%
Personnel expenses	(969,021)	(853,708)	(115,313)	14%
Rent	(31,525)	(35,338)	3,813	-11%
Research and development	(4,301,393)	(4,095,152)	(206,241)	5%
Travel and meals	(148,665)	(124,234)	(24,431)	20%
	(9,294,847)	(8,781,318)	(513,529)	6%
Non-cash expenses				
Depreciation	(23,391)	(46,050)	22,659	-49%
Provision for contract settlement	-	(1,252,076)	1,252,076	-100%
Share based payments	(670,641)	(221,630)	(449,011)	203%
	(694,032)	(1,519,756)	825,724	-54%
TOTAL EXPENSES	(9,988,879)	(10,301,074)	312,195	-3%
OTHER ITEMS:				
Grant income	64,189	-	64,189	N/A
Other income	397,973	14,823	383,150	2585%
Accretion expense	-	(42,026)	42,026	-100%
Interest expense	(4,976)	(71,318)	66,342	-93%
Legal claim expense	(223,089)	-	(223,089)	N/A
Provision for losses on related party transactions	-	(161,110)	161,110	-100%
NET LOSS	(9,638,843)	(10,560,705)	921,862	-9%
Loss Per Class A Subordinate Voting Shares - Basic and Diluted	**$ (1.10)**	**$ (1.89)**	0.79	-42%
Class A Subordinate Voting Shares used in computing earnings per share - Basic and Diluted	**8,746,491**	**5,596,129**	3,150,362	56%

	June 30, 2025	% of Revenue	June 30, 2024	% of Revenue	$ Change	% Change
REVENUE	$ 300,000		$ -		$ 300,000	N/A
COST OF REVENUE	(184,061)	61%	-	0%	(184,061)	N/A
NET REVENUE	115,939	39%	-	0%	115,939	N/A

Revenue was $300,000 for the three months ended June 30, 2025, which consisted of revenue from our first Genius Platform customer. There was no revenue for the three months ended June 30, 2024.

Cost of revenue consists of personnel and contractors' costs directly related to the delivery of services to the customers. Cost of Revenue was $184,061 during the three months ended June 30, 2025, which related to services provided to the customer referenced above, while we incurred no cost of revenue in the three months ended June 30, 2024.

Net revenue represents the revenue minus the cost of revenue. Net revenue was $115,939 during the three months ended June 30, 2025. There was no net revenue during the three months ended June 30, 2024.

Operating expenses are allocated between cash and non-cash expenses. We allocated expenses on this basis to help facilitate the calculation and understanding of the Company's cash flow from operations and liquidity, which we believe are important financial and operating metrics.

Cash expenses consist of the items below. Cash expenses increased by $513,529, or 6%, to $9.29 million during the three months ended June 30, 2025, compared to $8.78 million during the three months ended June 30, 2024.

	June 30, 2025	% of TCE	June 30, 2024	% of TCE	$ Change	% Change
Cash expenses						
Accounting fees	(162,487)	2%	(149,881)	2%	(12,606)	8%
Consulting fees	(717,086)	8%	(1,162,170)	13%	445,084	-38%
Investor relations and marketing	(1,630,034)	18%	(1,465,529)	17%	(164,505)	11%
Legal fees	(815,363)	9%	(437,914)	5%	(377,449)	86%
Board fees	(58,786)	1%	(25,126)	0%	(33,660)	134%
Office and general	(460,487)	5%	(432,266)	5%	(28,221)	7%
Personnel expenses	(969,021)	10%	(853,708)	10%	(115,313)	14%
Rent	(31,525)	0%	(35,338)	0%	3,813	-11%
Research and development	(4,301,393)	46%	(4,095,152)	47%	(206,241)	5%
Travel and meals	(148,665)	2%	(124,234)	1%	(24,431)	20%
Total Cash Expenses (TCE)	(9,294,847)	100%	(8,781,318)	100%	(513,529)	6%

Accounting Fees are related to accounting staff and external audit fees. Accounting fees increased by $12,606, or 8%, to $162,487 during the three months ended June 30, 2025, compared to $149,881 during the three months ended June 30, 2024. Accounting fees remained consistent for both periods at 2% of cash expenses. Our accounting staff consisted of two contractors for both periods.

Consulting Fees are related to financial advisory and general consulting services. Consulting Fees decreased by $445,084, or 38%, to $717,086 for the three months ended June 30, 2025, compared to $1.16 million for the three months ended June 30, 2024. Consulting Fees were 8% of cash expenses for the three months ended June 30, 2025, compared to 13% for the three months ended June 30, 2024.

- Financial advisory services were $543,726 for the three months ended June 30, 2025, compared to $943,586 for the three months ended June 30, 2024. The decrease of $399,860 is primarily attributed to fees paid to financial advisors in connection with the execution of the Company's financing strategy and are primarily related to the funds raised by the Company: The Company raised $7.11 million in net proceeds during the three months ended June 30, 2025, compared to $18.19 million during the three months ended June 30, 2024.
- General consulting services were $173,360 during the three months ended June 30, 2025, compared to $218,584 during the three months ended June 30, 2024. The decrease of $45,224 is primarily due to lower fees paid related to the adoption of the spatial web.

Investor Relations and Marketing expenses were related to messaging, marketing, and advertising of the Company and its products to potential users, and to develop general Company and brand awareness as well as investor relations initiatives in media, roadshows, and on social media. Investor relations and marketing expenses increased by $164,505 or 11% to $1.63 million during the three months ended June 30, 2025, compared to $1.47 million during the three months ended June 30, 2024. Investor relations and marketing expenses were approximately 17-18% of cash expenses during both periods. These expenses are currently combined, as the initiatives to market the product and services of the Company and investment in the Company are intertwined and indistinguishable. As the Company begins to market its core products and services, marketing and investor relations expenses will be separated.

The increase in investor relations and marketing expenses was due to an increase in expenses related to marketing and investor relations activities being partially offset by decreased expenses related to business development activities. The breakdown of these expenses was as follows:

- Marketing and investor awareness expenses increased by $337,958 or 43% to $1.13 million during the three months ended June 30, 2025, compared to $789,390 during the three months ended June 30, 2024. This increase was a result of more robust investor awareness programs and additional consultants engaged to perform marketing and investor awareness functions.
- Business development expenses decreased by $173,453 or 26% to $502,685 during the three months ended June 30, 2025, compared to $676,139 during the three months ended June 30, 2024. This decrease was a result of fewer consultants engaged to perform business development functions.

Legal Fees are related to fees paid to external counsel in the US and Canada. Legal fees increased by $377,449, or 86%, to $815,363 during the three months ended June 30, 2025, compared to $437,914 during the three months ended June 30, 2024. Legal fees represented 9% of total cash expenses during the three months ended June 30, 2025, compared to 5% during the three months ended June 30, 2024. The increase was primarily due to increased legal costs associated with the Company becoming a U.S. SEC reporting on April 1, 2025, which requires additional disclosure and reporting.

Board Fees are related to costs associated with Board members. Board Fees increased by $33,660, or 134%, to $58,786 during the three months ended June 30, 2025, compared to $25,126 during the three months ended June 30, 2024. The increase is related to increased fees paid to board members during the three months ended June 30, 2025, compared to the three months ended June 30, 2024.

Office and General Expenses are related to subscriptions, insurance, transaction fees, and general expenses of the Company. Office and general expenses increased by $28,221, or 7%, to $460,487 during the three months ended June 30, 2025, compared to $432,266 during the three months ended June 30, 2024. Office and General Expenses was approximately 5% of cash expenses for both periods. The increase was primarily due to higher fees incurred with a professional employment agency to contract employees outside of the US and Canada.

Personnel expenses are related to general and administrative payroll costs. Personnel expenses increased by $115,313, or 14%, to $969,021 during the three months ended June 30, 2025, compared to $853,708 during the three months ended June 30, 2024. Personnel expenses was 10% of cash expenses for both periods. The increase in personnel expenses is primarily due to the higher salaries paid to personnel during the three months ended June 30, 2025, compared to the salaries and fees paid to personnel during the three months ended June 30, 2024. The number of corporate full-time employees ("FTEs") was an average of 13 FTEs for both periods.

Rent is related to payments for office and other spaces utilized by the Company. Rent decreased by $3,813, totaling $31,525 during the three months ended June 30, 2025, compared to $35,338 during the three months ended June 30, 2024. Rent expense accounted for less than 1% of total cash expenses for both periods.

Research and Development (R&D) is related to payroll and contractor costs associated with the development of the Company's product. R&D increased by $206,241, or 5%, to $4.30 million during the three months ended June 30, 2025, compared to $4.10 million during the three months ended June 30, 2024. R&D was approximately 46–47% of total cash expenses for both periods. The increase in R&D is primarily due to the higher salaries and fees paid to personnel during the three months ended June 30, 2025, compared to the salaries and fees paid to personnel during the three months ended June 30, 2024. The Company reported an average of 68 FTEs and contractors during the three months ended June 30, 2025, compared to an average of 77 FTEs and contractors during the three months ended June 30, 2024.

Travel and Meals are related to expenses related to meals, airfare, transportation, and other related expenses. Travel and Meals increased by $24,431, or 20%, to $148,665 for the three months ending June 30, 2025, compared to $124,234 for the three months ended June 30, 2024. Travel and Meals remained consistent at approximately 1-2% of cash expenses for both periods.

Non-cash expenses consisted of the items below. Non-Cash Expenses decreased by $825,724, or 54%, to $694,032 during the three months ended June 30, 2025, compared to $1.52 million during the three months ended June 30, 2024.

	June 30, 2025	% of TNCE	June 30, 2024	% of TNCE	$ Change	% Change
Non-cash expenses						
Depreciation	(23,391)	3%	(46,050)	3%	22,659	-49%
Provision for contract settlement	-	0%	(1,252,076)	82%	1,252,076	-100%
Share based payments	(670,641)	97%	(221,630)	15%	(449,011)	203%
Total Non Cash Expenses (TNCE)	(694,032)	100%	(1,519,756)	100%	825,724	-54%

Depreciation is related to the decrease in the useful life of computer and other equipment. Depreciation decreased by $22,659, or 49%, to $23,391 during the three months ended June 30, 2025, compared to $46,050 during the three months ended June 30, 2024. The reduction is attributable to certain assets reaching the end of their three-year useful life.

Provision for contract settlement is related to the unbilled balance of the SaaS project terminated in August 2024. Provision for contract settlement was $1.25 million during the three months ended June 30, 2024. There was no comparable expense during the three months ended June 30, 2025.

Share based payments are related to the Black-Scholes valuation and vesting of stock options and Restricted Share Units (RSUs) granted to the Company's employees, contractors, and consultants. Share-based payments increased by $449,011, or 203%, to $670,641 during the three months ended June 30, 2025, compared to $221,630 during the three months ended June 30, 2024. This increase is primarily due to a higher amount of equity grants issued during the three months ended June 30, 2025, compared to the three months ended June 30, 2024. The increase during the three months ended June 30, 2025 was partially offset by a decline in the fair value of RSUs, which are tied to the Class A Subordinate Voting Share price as of the balance sheet date.

For a detailed breakdown of the changes, please refer to the table below.

Share based payments	***Stock Options***	***RSUs***	***Total***
Previous years graded vesting	262,749	-	262,749
Previous years RSUs revaluation	-	(152,310)	(152,310)
New grants Q1 2025	74,296	36,895	111,191
Balance, June 30, 2024	$ 337,045	$ (115,415)	$ 221,630
Previous years graded vesting	422,004	-	422,004
Previous years RSUs revaluation	-	(230,793)	(230,793)
New grants Q1 2026	258,056	344,431	602,487
Cancelled options / RSUs	(123,057)	-	(123,057)
Balance, June 30, 2025	$ 557,003	$ 113,638	$ 670,641

Total Operating expenses decreased by $312,195, or 3%, to $9.99 million during the three months ended June 30, 2025, compared to $10.30 million during the three months ended June 30, 2024. The decrease during the three months ended June 30, 2025 was primarily due to $1.25 million in non-cash expenses associated with the provision for contract settlement during the three months ended June 30, 2024 that was not present during the three months ended June 30, 2025, as well as a decrease in expenses associated with consulting fees, which decreased by $445,084. These decreases in operating expenses during the three months ended June 30, 2025 were partially offset by increases in share based payments ($449,011), legal fees ($377,449), and R&D ($206,241) during the three months ended June 30, 2025.

Other Items consisted of the items below. Other Items resulted in a gain of $234,097 during the three months ended June 30, 2025, compared to a loss of $259,631 during the three months ended June 30, 2024.

	June 30, 2025	**% TOI**	**June 30, 2024**	**% TOI**	**$ Change**	**% Change**
OTHER ITEMS:						
Grant income	64,189	27%	-	0%	64,189	N/A
Other income	397,973	170%	14,823	-6%	383,150	2585%
Accretion expense	-	0%	(42,026)	16%	42,026	-100%
Interest expense	(4,976)	-2%	(71,318)	27%	66,342	-93%
Legal claim expense	(223,089)	-95%	-	0%	(223,089)	N/A
Provision for losses on related party transactions	-	0%	(161,110)	62%	161,110	-100%
Total Other Items (TOI)	234,097	100%	(259,631)	100%	493,728	-190%

Grant Income is related to the reimbursement of expenses for amounts spent on project activities related to the grant agreement with Horizon Europe, which is delegated by the European Commission. Grant income was $64,189 during the three months ended June 30, 2025, compared to nil for the three months ended June 30, 2024. This project is expected to end in August 2026.

Other Income is related to R&D tax credits and interest received from interest-bearing bank accounts. Other income increased $383,150 to $397,973 during the three months ended June 30, 2025, compared to $14,823 during the three months ended June 30, 2024. This increase is primarily due to $350,529 of R&D tax credits received during the three months ended June 30, 2025.

Accretion Expense is related to the increase in the carrying value of the discounted value of the convertible debenture converted in 2025. There was no accretion expense during the three months ended June 30, 2025, compared to an expense of $42,026 during the three months ended June 30, 2024.

Interest Expense is related to interest incurred in the conversion of the convertible debenture converted in 2025, interest incurred in the loan payable, and the interest related to the financing of the directors and officers insurance. Interest expense decreased $66,342, or 93%, to $4,976 during the three months ended June 30, 2025, compared to an expense of $71,318 during the three months ended June 30, 2024. This decrease is primarily due to the conversion of the convertible debenture during the three months ended June 30, 2024.

Legal Claim Expense was $223,089 during the three months ended June 30, 2025, compared to nil for the three months ended June 30, 2024. This amount is interest accrued in connection with the David Thomson arbitration award, which was confirmed by the Los Angeles Superior Court in the three months ended June 30, 2025.

Provision for Loss on Related Party Transactions was $161,110 during the three months ended June 30, 2024. There was no provision during the three months ended June 30, 2025.

The provision for loss on related party transactions includes amounts due from Cyberlab LLC ("Cyberlab") and the Spatial Web Foundation ("SWF"), entities controlled or associated with the Company's founders, Dan Mapes and Gabriel Rene. The related expenses arose primarily from payments made by the Company on behalf of these related parties to third-party vendors. Although these amounts are expected to be settled through future service agreements, management performed a credit assessment in accordance with the current expected credit loss ("CECL") model under ASC 326. Based on this assessment, management determined that there is significant uncertainty regarding the timing and collectability of these receivables. As of June 30, 2025, management concluded that full repayment is not probable within a reasonable timeframe.

Net Loss decreased $921,862, or 9%, to $9.64 million during the three months ended June 30, 2025, compared to a net loss of $10.56 million during the three months ended June 30, 2024.

Liquidity and Capital Resources

The Company has historically raised capital to fund operations, primarily through debt and equity investors. The Company will continue to rely on such financings to generate sufficient amounts of cash and cash equivalents to cover its operating costs, satisfy short and long term capital requirements, and meet growth objectives. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions. 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.

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 ability of the Company to raise sufficient capital to fund operations are conditional primarily through the continuation of its agreements and investor support. The material uncertainty associated with these events and conditions may cast substantial doubt about the Company's ability to continue as a going concern. The Company's 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.

The Company's consolidated financial statements have been prepared as a going concern, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses since inception and has not yet achieved profitable operations. The Company has been relying on debt and equity financing to fund its operations in the past. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. As noted in the report of our independent public accountants for our financial statements for the year ended March 31, 2025, the aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that such audited annual financial statements were issued.

Historically, the Company has used net proceeds from issuances of debt and equity to provide sufficient funds to meet its near-term operating expenses and other contractual obligations when due. Management plans to fund operations of the Company with its current working capital and through additional equity and/or debt financings.

In view of these matters, continuing as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to, meets its financial requirements, raise additional capital, and the success of its future operations.

The Company's long-term capital requirements may vary materially from those currently planned and will depend on many factors, including net sales, the timing and extent of spending on research and development efforts and other initiatives, sales and marketing activities, the timing of new products, and overall economic conditions. Any quoted market for the Subordinate Voting Shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows or earnings. The sale of additional equity would result in additional dilution to the Company's shareholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that may restrict our operations. There can be no assurances that we will be able to raise additional capital on terms that are attractive to us or at all. The inability to raise capital would adversely affect our ability to achieve our business objectives.

		June 30, 2025		March 31, 2025
Cash		3,255,995		4,816,906
Current assets, including cash		4,794,065		6,183,082
Total Assets	$	4,981,195	$	6,376,575
Current liabilities		15,505,628		15,106,292
Other liabilities		140,347		139,039
Shareholder's deficiency		(10,664,780)		(8,868,756)
Total liabilities and shareholder's deficiency	$	4,981,195	$	6,376,575

Cash decreased to $3.26 million as of June 30, 2025, compared to $4.82 million as of March 31, 2025. Working capital is current assets minus current liabilities, including the current portion of long-term debt. The Company had a working capital deficit of $10.71 million as of June 30, 2025, compared to a working capital deficit of $8.92 million as of the year ended March 31, 2025.

For the three months ended		June 30, 2025		June 30, 2024		*Change*
Cash provided by (used) in operating activities	$	(8,895,461)	$	(7,078,379)	$	(1,817,082)
Cash provided by (used) in investing activities		(16,244)		(185,443)		169,199
Cash provided by (used) in financing activities		7,180,473		16,191,542		(9,011,069)
Foreign exchange effect on cash		170,321		(21,621)		191,942
Net change in cash during the period	$	(1,560,911)	$	8,906,099	$	(10,467,010)

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 by $1.82 million to $8.89 million during the three months ended June 30, 2025, compared to $7.08 million during the three months ended June 30, 2024. The increase is mostly attributed to a higher variation of cash used to settle accounts payable ($1.56 million) and the cash allocated to accounts receivable ($0.30 million).

Cash used in investing activities primarily reflects payments related to Spatial Web Foundation ("SWF") and Cyberlab LLC ("Cyberlab"), entities controlled or associated with the Company's founders, Dan Mapes and Gabriel Rene, as well as purchases of computer equipment. During the three months ended June 30, 2025, the Company did not report payments related to SWF and Cyberlab, compared to payments of $161,110 during the three months ended June 30, 2024. Capital expenditures associated with computers and other equipment decreased by $8,089 to $16,244 during the three months ended June 30, 2025, compared to $24,333 during the three months ended June 30, 2024.

Cash provided by financing activities relates to the instruments used by the Company to fund its working capital needs. Cash provided by financing activities was $7.18 million during the three months ended June 30, 2025 compared to $16.19 million during the three months ended June 30, 2024.

During the three months ended June 30, 2025 the Company:

- received \$7.11 million net proceeds from the issuance of units and
- used \$49,900 as expenses related to Horizon Europe, which is delegated under the European Commission.

During the three months ended June 30, 2024 the Company:

- received \$10.00 million for the issuance of convertible debentures,
- received \$7.02 million net proceeds from the issuance of special warrants,
- received \$1.17 million from the issuance of equity instruments, and
- used \$2.00 million on the repayment of promissory notes.

Critical Accounting Estimates

Equipment

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected remaining useful life of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of equipment.

Recoverability of accounts receivable, contracts assets, and unbilled revenues, and allowance for credit loss

The Company provides an allowance for expected credit losses based on an assessment of the recoverability of accounts receivable. Allowances are applied to accounts receivable at initial recognition based on the probability of default. Management analyzes its debts, customer concentrations, customer creditworthiness, current economic trends, and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for expected credit losses. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable.

Functional currency

The determination of the functional currency of each entity within the Company requires management judgment in determining the currency that mainly influences the sale price of services and costs of providing services.

Revenue recognition

When the Company enters into an agreement for software development which is longer in nature (longer than 1 year), the Company records a contract asset which is representative of receivables from the agreements not yet billed to the customer. Significant judgment is made to determine the performance obligations and whether each performance obligation is satisfied at a point in time or over the term of the contracts.

Going concern

The assessment of the Company's ability to continue as a going concern. The determination that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget and financing activities. Should these judgments prove to be inaccurate, management's continued use of the going concern assumption may be inappropriate.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including, without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our initial public offering; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.