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included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2025 as may be amended, supplemented or superseded from time to time by other reports we file with the SEC.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 September 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 $0.7183.

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. 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. We also intend to build tools that enable the Spatial Web and to become a leader in the transition from the information age to the intelligence age.

In early 2024, we launched a private beta program of our software platform with a few select users with whom we had existing business relationships. During the second half of 2024, we launched a public beta program for a broader number of developers.

On April 30, 2025, we announced the commercial launch of our flagship software platform, called Genius, which is designed to enable agentic intelligence for enterprises. 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 are implementing a "Lighthouse" go to market strategy that will focus on working with a small number of high-value, high-impact clients in sectors where success will have broad applicability, such as financial services, robotics, and smart cities. Each client will allow us to continue to develop and validate our Genius model that can then be applied to other clients in the same sector. During the coming quarters, we plan to expand from these initial sectors into others, such logistics, and infrastructure management.

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 expenses incurred in connection with the offering. Proceeds to the company after deducting commissions and expenses was $6,058,610. Each unit consists of one Class A Subordinate Voting Share ("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

FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2025, COMPARED TO THE QUARTER ENDED SEPTEMBER 30, 2024

	Quarter ended September 30, 2025	Quarter ended September 30, 2024	$ Change	% Change
REVENUE	$ 100,700	$ 155,000	$ (54,300)	-35%
COST OF REVENUE	(70,490)	(145,000)	74,510	-51%
NET REVENUE	30,210	10,000	20,210	202%
OPERATING EXPENSES				
Cash expenses				
Accounting fees	(229,873)	(200,526)	(29,347)	15%
Consulting fees	(777,873)	(630,846)	(147,027)	23%
Investor relations and marketing	(561,458)	(1,401,530)	840,072	-60%
Legal fees	(663,861)	(426,198)	(237,663)	56%
Board fees	(60,556)	(59,455)	(1,101)	2%
Office and general	(636,611)	(508,714)	(127,897)	25%
Personnel expenses	(908,651)	(908,304)	(347)	0%
Rent	(5,849)	(24,741)	18,892	-76%
Research and development	(4,242,443)	(4,166,763)	(75,680)	2%
Travel and meals	(122,542)	(150,672)	28,130	-19%
	(8,209,717)	(8,477,749)	268,032	-3%
Non-cash expenses				
Depreciation	(22,503)	(47,857)	25,354	-53%
Provision for contract settlement	-	-	-	N/A
Share based payments	(1,419,614)	(1,740,224)	320,610	-18%
	(1,442,117)	(1,788,081)	345,964	-19%
TOTAL EXPENSES	(9,651,834)	(10,265,830)	613,996	-6%
OTHER ITEMS:				
Grant income	17,720	56,034	(38,314)	-68%
Other income	103,288	35,147	68,141	194%
Gain on derivative liability	-	2,464,873	(2,464,873)	-100%
Accretion expense	-	(411,813)	411,813	-100%
Interest expense	(7,278)	(221,720)	214,442	-97%
Legal claim expense	(359,164)	-	(359,164)	N/A
Provision for losses on related party transactions	-	(235,413)	235,413	-100%
NET LOSS	(9,867,058)	(8,568,722)	(1,298,336)	15%
Loss Per Class A Subordinate Voting Shares - Basic and Diluted	**$ (1.00)**	**$ (1.48)**	**$ 0.49**	-33%
Loss Per Class B Proportionate Voting Shares - Basic and Diluted	**$ (6.22)**	**$ -**	**$ (6.22)**	N/A
Class A Subordinate Voting Shares Shares used in computing earnings per share - Basic and Diluted	**9,861,001**	**5,780,312**	**4,080,689**	71%
Class B Proportionate Voting Shares Shares used in computing earnings per share - Basic and Diluted	**8,726**	**-**	**8,726**	N/A

	September 30, 2025	% of Revenue	September 30, 2024	% of Revenue	$ Change	% Change
REVENUE	$ 100,700		$ 155,000		$ (54,300)	-35%
COST OF REVENUE	(70,490)	70%	(145,000)	94%	74,510	-51%
NET REVENUE	30,210	30%	10,000	6%	20,210	202%

QUARTER ENDED SEPTEMBER 30, 2025, COMPARED TO THE QUARTER ENDED SEPTEMBER 30, 2024

Revenue was $100,700 for the quarter ended September 30, 2025, which consisted of revenue from our first Genius Platform customers. Revenue for the quarter ended September 30, 2024 was $155,000, which is related to the conclusion of a proof-of-concept project.

Cost of revenue consists of personnel and contractors' costs directly related to the delivery of services to the customers. Cost of Revenue was $70,490 for the quarter ended September 30, 2025, which related to services provided to the customers referenced above. Cost of revenue for the quarter ended September 30, 2024 was $145,000, which is related to the conclusion of a proof-of-concept project. Costs of revenue as a percentage of revenue was 70% for the quarter ending September 30, 2025, compared to 94% for the quarter ending September 30, 2024, which reflects the economics associated with our core Genius Platform.

Net revenue represents the revenue minus the cost of revenue. Net revenue was $30,210 for the quarter ended September 30, 2025, compared to $10,000 reported in the quarter ended September 30, 2024. Net revenue as a percentage of revenue was 30% for the quarter ending September 30, 2025, compared to 6% for the quarter ending September 20, 2024, which reflects the economics associated with our core Genius Platform.

Operating expenses are allocated between cash and non-cash expenses. We allocated expenses on this basis to calculate and understand 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. Total Cash Expenses ("TCE") decreased by $268,032, or 3%, to $8.21 million for the quarter ended September 30, 2025, compared to $8.48 million for the quarter ended September 30, 2024.

	September 30, 2025	% of TCE	September 30, 2024	% of TCE	$ Change	% Change
Cash expenses						
Accounting fees	(229,873)	3%	(200,526)	2%	(29,347)	15%
Consulting fees	(777,873)	9%	(630,846)	7%	(147,027)	23%
Investor relations and marketing	(561,458)	7%	(1,401,530)	17%	840,072	-60%
Legal fees	(663,861)	8%	(426,198)	5%	(237,663)	56%
Board fees	(60,556)	1%	(59,455)	1%	(1,101)	2%
Office and general	(636,611)	8%	(508,714)	6%	(127,897)	25%
Personnel expenses	(908,651)	11%	(908,304)	11%	(347)	0%
Rent	(5,849)	0%	(24,741)	0%	18,892	-76%
Research and development	(4,242,443)	52%	(4,166,763)	49%	(75,680)	2%
Travel and meals	(122,542)	1%	(150,672)	2%	28,130	-19%
Total Cash Expenses (TCE)	(8,209,717)	100%	(8,477,749)	100%	268,032	-3%

Accounting Fees are related to accounting staff and external audit fees. Accounting fees increased by $29,347, or 15%, to $229,873 for the quarter ended September 30, 2025, compared to $200,529 for the quarter ended September 30, 2024. Accounting Fees were 3% of TCE for the quarter ended September 30, 2025, compared to 2% for the quarter ended September 30, 2024. The increase of $29,347 is primarily due to additional costs associated with translating our financial statements to USGAAP and complying with new SEC reporting requirements.

Consulting Fees are related to financial advisory and general consulting services. Consulting Fees increased by $147,027, or 23%, to $777,873 for the quarter ended September 30, 2025, compared to $630,846 for the quarter ended September 30, 2024. Consulting Fees were 9% of TCE for the quarter ended September 30, 2025, compared to 7% for the quarter ended September 30, 2024.

- Financial advisory services was $559,682 for the quarter ended September 30, 2025, compared to $543,966 for the quarter ended September 30, 2024. The increase of $15,716 is primarily due to less fees paid to financial advisors in connection with funds raised by the Company: The Company raised $6.06 million in net proceeds during the quarter ended September 30, 2025, compared to $3.37 million during the quarter ended September 30, 2024.
- General consulting services was $218,191 for the quarter ended September 30, 2025, compared to $86,880 for the quarter ended September 30, 2024. The increase of $131,311 is due to a new consulting agreement for market intelligence services ($53,780), a new administrative agreement to support operations in Europe ($38,012), and other general consulting services ($39,519).

Investor Relations and Marketing are related to messaging, marketing, and advertising of the Company and its products to potential users, to develop general Company and brand awareness as well as investor relations initiatives in media, roadshows, and on social media. Investor Relations and Marketing decreased by $840,072 or 60% to $561,458 for the quarter ended September 30, 2025, compared to $1.40 million for the quarter ended September 30, 2024. Investor Relations and Marketing was approximately 7% of TCE for the quarter ended September 30, 2025, compared to 17% for the quarter ended September 30, 2024.

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 decrease in Investor Relations and Marketing is due to:

- Marketing and investor awareness decreased by $726,223 or 60% to $481,846 for the quarter ended September 30, 2025, compared to $1.21 million for the quarter ended September 30, 2024. The decrease is a result of fewer consultants engaged to perform marketing and investor awareness activities during the quarter ended September 30, 2025 compared to the quarter ended September 20, 2024.
- Business development decreased by $123,499 or 61% to $79,613 for the quarter ended September 30, 2025, compared to $203,112 for the quarter ended September 30, 2024. The decrease is a result of fewer consultants engaged to perform business development activities during the quarter ended September 30, 2025 compared to the quarter ended September 20, 2024.

Legal Fees are related to fees paid to external counsel in the US and Canada.

Legal fees increased by $237,663, or 56%, to $663,861 for the quarter ended September 30, 2025, compared to $426,198 for the quarter ended September 30, 2024. Legal fees represented 8% of TCE for the quarter ended September 30, 2025, compared to 5% for the quarter ended September 30, 2024. The increase of $237,663 is 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 $1,101, or 2%, to $60,556 during the quarter ended September 30, 2025, compared to $59,455 for the quarter ended September 30, 2024. Board Fees were 1% of TCE for both quarters ended September 30, 2025 and September 30, 2024.The increase of $60,556 is due to increased fees paid to board members for the quarter ended September 30, 2025, compared to the quarter ended September 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 $127,897, or 25%, to $636,611 for the quarter ended September 30, 2025, compared to $508,714 for the quarter ended September 30, 2024. Office and General Expenses was 8% of TCE for the quarter ended September 30, 2025, compared to 6% for the quarter ended September 30, 2024. The increase of $127,898 is primarily due to higher Directors and Officers ("D&O") insurance premium costs of $124,904 resulting from increased coverage as the Company became a U.S. SEC reporting on April 1, 2025, which requires additional disclosure and reporting.

Personnel expenses are related to general and administrative payroll costs. Personnel expenses increased by $347, to $908,651 for the quarter ended September 30, 2025, compared to $908,304 for the quarter ended September 30, 2024. Personnel expenses were 11% of TCE for both quarters ended September 30, 2025 and September 30, 2024.

Rent is related to payments for office and other spaces utilized by the Company. Rent decreased by $18,892, totaling $5,849 for the quarter ended September 30, 2025, compared to $24,741 for the quarter ended September 30, 2024. Rent expense accounted for less than 1% of TCE for both quarters ended September 30, 2025 and September 30, 2024.

Research and Development (R&D) is related to payroll and contractor costs associated with developing the Company's product. R&D increased by $75,680, or 2%, to $4.24 million for the quarter ended September 30, 2025, compared to $4.17 million for the quarter ended September 30, 2024. R&D was 52% of TCE for the quarter ended September 30, 2025, compared to 49% for the quarter ended September 30, 2024. The increase of $75,680 is primarily due to the higher salaries and fees paid to personnel for the quarter ended September 30, 2025, compared to the salaries and fees paid to personnel for the quarter ended September 30, 2024.

Travel and Meals are related to expenses related to meals, airfare, transportation, and other related expenses. Travel and Meals decreased by $28,132, or 19%, to $122,542 for the quarter ended September 30, 2025, compared to $150,672 for the quarter ended September 30, 2024. Travel and Meals remained consistent at approximately 1.5-2% of cash expenses for both periods.

NON-CASH EXPENSES – Consisted of the items below. Non-Cash Expenses decreased by $345,964, or 19%, to $1,44 million for the quarter ended September 30, 2025, compared to $1.79 million for the quarter ended September 30, 2024.

	September 30, 2025	% of TNCE	September 30, 2024	% of TNCE	$ Change	% Change
Non-cash expenses						
Depreciation	(22,503)	2%	(47,857)	3%	25,354	-53%
Share based payments	(1,419,614)	98%	(1,740,224)	97%	320,610	-18%
Total Non Cash Expenses (TNCE)	(1,442,117)	100%	(1,788,081)	100%	345,964	-19%

Depreciation is related to the decrease in the useful life of computer and other equipment. Depreciation decreased by $25,354, or 53%, to $22,503 for the quarter ended September 30, 2025, compared to $47,857 for the quarter ended September 30, 2024. The decrease for the quarter ended September 30, 2025 is due to certain assets reaching the end of their three-year useful life.

Share based payments are related to the Black-Scholes valuation and vesting of stock options ("Options") and Restricted Share Units (RSUs) granted to the Company's employees, contractors, and consultants. Share-based payments decreased by $320,610, or 18%, to $1.42 million for the quarter ended September 30, 2025, compared to $1.74 million for the quarter ended September 30, 2024. This decrease is primarily due to the 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 the quarter ended September 30, 2025, compared to the quarters ended September 30, 2024. The decrease during the quarter ended September 30, 2025 was partially offset by a higher number of Options granted during the quarter ended September 30, 2025. For a detailed breakdown of the changes, please refer to the table below.

Share based payments	*Stock Options*	*RSUs*	*Total*
Previous years graded vesting	139,476	-	139,476
Previous years RSUs revaluation	-	(99,082)	(99,082)
New grants Q1 2025	2,491	(10,227)	(7,736)
New grants Q2 2025	1,027,452	805,735	1,833,187
Cancelled options	(125,621)	-	(125,621)
Balance, September 30, 2024	$ 1,043,798	$ 696,426	$ 1,740,224
Previous years graded vesting	289,706	-	289,706
Previous years RSUs revaluation	-	(1,350,582)	(1,350,582)
New grants Q2 2026	2,118,326	8,616	2,126,942
Cancelled options	123,057	-	123,057
RSU milestone conversion	-	230,491	230,491
Balance, September 30, 2025	$ 2,531,089	$ (1,111,475)	$ 1,419,614

Total Operating expenses decreased by $613,995, or 6%, to $9.65 million for the quarter ended September 30, 2025, compared to $10.27 million for the quarter ended September 30, 2024. The decrease during the quarter ended September 30, 2025 is primarily due to $320,610 in non-cash expenses associated with share based payments during the quarter ended September 30, 2025, as well as a decrease in expenses associated with investor relations and marketing, which decreased by $840,072. The decrease during the quarter ended September 30, 2025 was partially offset by increases in legal fees ($237,663), consulting fees ($147,027), and Office and General expenses ($127,898) during the quarter ended September 30, 2025.

Other Items consisted of the items below. Other Items resulted in a loss of $245,434 for the quarter ended September 30, 2025, compared to a gain of $1.68 million for the quarter ended September 30, 2024.

	September 30, 2025	**% TOI**	**September 30, 2024**	**% TOI**	**$ Change**	**% Change**
OTHER ITEMS:						
Grant income	17,720	-7%	56,034	3%	(38,314)	-68%
Other income	103,288	-42%	35,147	2%	68,141	194%
Gain on derivative liability	-	0%	2,464,873	146%	(2,464,873)	-100%
Accretion expense	-	0%	(411,813)	-24%	411,813	-100%
Interest expense	(7,278)	3%	(221,720)	-13%	214,442	-97%
Legal claim expense	(359,164)	146%	-	0%	(359,164)	N/A
Provision for losses on related party transactions	-	0%	(235,413)	-14%	235,413	-100%
Total Other Items (TOI)	(245,434)	100%	1,687,108	100%	(1,932,542)	-115%

Grant Income is related to reimbursing expenses for amounts spent on project activities related to the grant agreement with Horizon Europe, which is a program delegated by the European Commission. Grant income was $17,720 for the quarter ended September 30, 2025, compared to $56,034 for the quarter ended September 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 $68,141 to $103,288 for the quarter ended September 30, 2025, compared to $35,147 for the quarter ended September 30, 2024. This increase is primarily due to $65,679 of R&D tax credits received during the quarter ended September 30, 2025.

Gain on derivative liability is the result of measuring the derivative liability embedded in the convertible debenture using the Monte-Carlo binomial. Changes in the estimates for the quarter ended September 30, 2024, resulted in a gain on the fair value of derivative liability of the convertible debenture of $2,464,873. There was no such expense during the quarter ended September 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 for the quarter ended September 30, 2025, compared to an expense of $411,813 for the quarter ended September 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 director’s and officer’s insurance. Interest expense decreased $214,442, or 97%, to $7,278 for the quarter ended September 30, 2025, compared to an expense of $221,720 for the quarter ended September 30, 2024. This decrease is primarily due to the conversion of the convertible debenture during the quarter ended September 30, 2024.

Legal Claim Expense was $359,164 for the quarter ended September 30, 2025, compared to nil for the quarter ended September 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 quarter ended June 30, 2025. There was no such expense in the quarter ended September 30, 2024.

Provision for Loss on Related Party Transactions was $235,413 for the quarter ended September 30, 2024. There was no provision for the quarter ended September 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 September 30, 2025, management concluded that full repayment is not probable within a reasonable timeframe.

Net Loss increased by $1.30 million, or 15%, to $9.87 million for the quarter ended September 30, 2025, compared to a net loss of $8.57 million for the quarter ended September 30, 2024.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2025, COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2024

SELECTED FINANCIAL INFORMATION

	Six months ended September 30, 2025	Six months ended September 30, 2024	$ Change	% Change
REVENUE	$ 400,700	$ 155,000	$ 245,700	159%
COST OF REVENUE	(254,551)	(145,000)	(109,551)	76%
NET REVENUE	146,149	10,000	136,149	1361%
OPERATING EXPENSES				
Cash expenses				
Accounting fees	(392,360)	(350,407)	(41,953)	12%
Consulting fees	(1,494,960)	(1,793,016)	298,056	-17%
Investor relations and marketing	(2,191,491)	(2,867,059)	675,568	-24%
Legal fees	(1,479,224)	(864,112)	(615,112)	71%
Board fees	(119,342)	(84,581)	(34,761)	41%
Office and general	(1,097,098)	(940,979)	(156,119)	17%
Personnel expenses	(1,877,672)	(1,762,012)	(115,660)	7%
Rent	(37,374)	(60,079)	22,705	-38%
Research and development	(8,543,836)	(8,261,915)	(281,921)	3%
Travel and meals	(271,207)	(275,036)	3,829	-1%
	(17,504,564)	(17,259,196)	(245,368)	1%
Non-cash expenses				
Depreciation	(45,894)	(93,907)	48,013	-51%
Provision for contract settlement	-	(1,252,076)	1,252,076	-100%
Share based payments	(2,090,255)	(1,961,724)	(128,531)	7%
	(2,136,149)	(3,307,707)	1,171,558	-35%
TOTAL EXPENSES	(19,640,713)	(20,566,903)	926,190	-5%
OTHER ITEMS:				
Grant income	81,909	56,034	25,875	46%
Other income	501,261	49,970	451,291	903%
Gain on derivative liability	-	2,464,873	(2,464,873)	-100%
Accretion expense	-	(453,839)	453,839	-100%
Interest expense	(12,254)	(293,038)	280,784	-96%
Legal claim expense	(582,253)	-	(582,253)	N/A
Provision for losses on related party transactions	-	(396,524)	396,524	-100%
NET LOSS	(19,505,901)	(19,129,427)	(376,474)	2%
Loss Per Class A Subordinate Voting Shares - Basic and Diluted	**$ (2.12)**	**$ (3.90)**	**$ 1.78**	-46%
Loss Per Class B Proportionate Voting Shares - Basic and Diluted	**$ (13.26)**	**$ -**	**$ (13.26)**	N/A
Class A Subordinate Voting Shares Shares used in computing earnings per share - Basic and Diluted	**9,166,869**	**4,905,748**	**4,261,121**	87%
Class B Proportionate Voting Shares Shares used in computing earnings per share - Basic and Diluted	**4,363**	**-**	**4,363**	N/A

	September 30, 2025	% of Revenue	September 30, 2024	% of Revenue	$ Change	% Change
REVENUE	$ 400,700		$ 155,000		$ 245,700	159%
COST OF REVENUE	(254,551)	64%	(145,000)	94%	(109,551)	76%
NET REVENUE	146,149	36%	10,000	6%	136,149	1361%

SIX MONTHS ENDED SEPTEMBER 30, 2025, COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2024

Revenue was $400,700 for the six months ended September 30, 2025, which consisted of revenue from our first Genius Platform customers. Revenue for the six months ended September 30, 2024 was $155,000, which is related to the conclusion of a proof-of-concept project.

Cost of revenue consists of personnel and contractors' costs directly related to the delivery of services to the customers. Cost of Revenue was $254,551 for the six months ended September 30, 2025, which related to services provided to the customers referenced above. Cost of revenue for the six months ended September 30, 2024 was $145,000, which is related to the conclusion of a proof-of-concept project. Costs of revenue as a percentage of revenue was 64% for the quarter ending September 30, 2025, compared to 94% for the quarter ending September 30, 2024, which reflects the economics associated with our core Genius Platform.

Net revenue represents the revenue minus the cost of revenue. Net revenue was $146,149 for the six months ended September 30, 2025, compared to $10,000 reported for the six months ended September 30, 2024. Net revenue as a percentage of revenue was 36% for the quarter ending September 30, 2025, compared to 6% for the quarter ending September 20, 2024, which reflects the economics associated with our core Genius Platform.

Operating expenses are allocated between cash and non-cash expenses. We allocated expenses on this basis to calculate and understand 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. Total Cash Expenses ("TCE") increased by $245,368, or 1%, to $17.50 million for the six months ended September 30, 2025, compared to $17.26 million for the six months ended September 30, 2024.

	September 30, 2025	% of TCE	September 30, 2024	% of TCE	$ Change	% Change
Cash expenses						
Accounting fees	(392,360)	2%	(350,407)	2%	(41,953)	12%
Consulting fees	(1,494,960)	9%	(1,793,016)	10%	298,056	-17%
Investor relations and marketing	(2,191,491)	13%	(2,867,059)	17%	675,568	-24%
Legal fees	(1,479,224)	8%	(864,112)	5%	(615,112)	71%
Board fees	(119,342)	1%	(84,581)	0%	(34,761)	41%
Office and general	(1,097,098)	6%	(940,979)	5%	(156,119)	17%
Personnel expenses	(1,877,672)	11%	(1,762,012)	10%	(115,660)	7%
Rent	(37,374)	0%	(60,079)	0%	22,705	-38%
Research and development	(8,543,836)	49%	(8,261,915)	48%	(281,921)	3%
Travel and meals	(271,207)	2%	(275,036)	2%	3,829	-1%
Total Cash Expenses (TCE)	(17,504,564)	100%	(17,259,196)	100%	(245,368)	1%

Accounting Fees are related to accounting staff and external audit fees. Accounting fees increased by $41,953, or 12%, to $392,360 for the six months ended September 30, 2025, compared to $350,407 for the six months ended September 30, 2024. Accounting Fees were 2% of TCE for both six month periods ended September 30, 2025 and September 30, 2024. The increase of $41,953 is primarily due to additional costs associated with translating our financial statements to USGAAP and complying with new SEC reporting requirements.

Consulting Fees are related to financial advisory and general consulting services. Consulting Fees decreased by $298,056, or 17%, to $1,49 million for the six months ended September 30, 2025, compared to $1.79 million for the six months ended September 30, 2024. Consulting Fees were 9% of TCE for the six months ended September 30, 2025, compared to 10% for the six months ended September 30, 2024.

- Financial advisory services was $1.10 million for the six months ended September 30, 2025, compared to $1.49 million for the six months ended September 30, 2024. The decrease of $384,144 is primarily due to less fees paid to financial advisors in connection with funds raised by the Company: The Company raised $13.17 million in net proceeds during the six months ended September 30, 2025, compared to $10.31 million during the six months ended September 30, 2024.
- General consulting services was $391,552 for the six months ended September 30, 2025, compared to $305,465 for the six months ended September 30, 2024. The increase of $86,087 is primarily due to a consulting firm hired to provide business and technology insights ($94,449) during the six months ended September 30, 2025.

Investor Relations and Marketing are 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 decreased by $675,568 or 24% to $2.19 million for the six months ended September 30, 2025, compared to $2.87 million for the six months ended September 30, 2024. Investor Relations and Marketing was 13% of TCE for the six months ended September 30, 2025, compared to 17% for the six months ended September 30, 2024. 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 decrease in Investor Relations and Marketing is due to:

- Marketing and investor awareness decreased by $388,265 or 19% to $1.61 million for the six months ended September 30, 2025, compared to $2.00 million for the six months ended September 30, 2024. The decrease is a result of fewer consultants engaged to perform marketing and investor awareness activities during the six months ended September 30, 2025 compared to the six months ended September 20, 2024.
- Business development decreased by $287,303 or 33% to $582,298 for the six months ended September 30, 2025, compared to $869,601 for the six months ended September 30, 2024. The decrease is a result of fewer consultants engaged to perform business development activities during the six months ended September 30, 2025 compared to the six months ended September 20, 2024.

Legal Fees are related to fees paid to external counsel in the US and Canada. Legal fees increased by $615,112, or 71%, to $1.48 million for the six months ended September 30, 2025, compared to $864,112 for the six months ended September 30, 2024. Legal fees were 8% of TCE for the six months ended September 30, 2025, compared to 5% for the six months ended September 30, 2024. The increase of $615,112 for the six months ended September 30, 2025 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 $34,761, or 41%, to $119,342 for the six months ended September 30, 2025, compared to $84,581 for the six months ended September 30, 2024. Board Fees were 1% of TCE for the six months ended September 30, 2025, compared to less than 1% for the six months ended September 30, 2024. The increase of $34,761 is due to increased fees paid to board members during the six months ended September 30, 2025, compared to the six months ended September 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 $156,119, or 17%, to $1.10 million for the six months ended September 30, 2025, compared to $940,979 for the six months ended September 30, 2024. Office and General Expenses was 6% of TCE for the six months ended September 30, 2025, compared to 5% for the six months ended September 30, 2024. The increase of $156,119 for the six months ended September 30, 2025 is primarily due to higher Directors and Officers ("D&O") insurance premium cost of $124,904 resulting from increased coverage as the Company became a U.S. SEC reporting on April 1, 2025, which requires additional disclosure and reporting.

Personnel expenses are related to general and administrative payroll costs. Personnel expenses increased by $115,660, or 7%, to $1.88 million for the six months ended September 30, 2025, compared to $1.76 million for the six months ended September 30, 2024. Personnel expenses were 11% of TCE for the six months ended September 30, 2025, compared to 10% for the six months ended September 30, 2024. The increase of $115,660 in personnel expenses is primarily due to the higher salaries paid to personnel during the six months ended September 30, 2025, compared to the salaries and fees paid to personnel during the six months ended September 30, 2024.

Rent is related to payments for office and other spaces utilized by the Company. Rent decreased by $22,705, totaling $37,374 for the six months ended September 30, 2025, compared to $60,079 for the six months ended September 30, 2024. Rent expense accounted for less than 1% of TCE for both six month periods ended September 30, 2025 and September 30, 2024.

Research and Development (R&D) is related to payroll and contractor costs associated with developing the Company's product. R&D increased by $281,921, or 3%, to $8.54 million for the six months ended September 30, 2025, compared to $8.26 million for the six months ended September 30, 2024. R&D was approximately 48-49% of TCE for both six month periods ended September 30, 2025 and September 30, 2024. The increase of $281,921 is primarily due to the higher salaries and fees paid to personnel during the six months ended September 30, 2025, compared to the salaries and fees paid to personnel during the six months ended September 30, 2024.

Travel and Meals are related to expenses related to meals, airfare, transportation, and other related expenses. Travel and Meals decreased by $3,829, or 1%, to $271,207 for the six months ending September 30, 2025, compared to $275,036 for the six months ended September 30, 2024. Travel and Meals remained consistent at 2% of TCE for both six month periods ended September 30, 2025 and September 30, 2024.

NON-CASH EXPENSES – Consisted of the items below. Non-Cash Expenses decreased by $1.17 million, or 35%, to $2.14 million for the six months ended September 30, 2025, compared to $3.31 million for the six months ended September 30, 2024.

	September 30, 2025	**% of TNCE**	**September 30, 2024**	**% of TNCE**	**$ Change**	**% Change**
Non-cash expenses						
Depreciation	(45,894)	2%	(93,907)	3%	48,013	-51%
Provision for contract settlement	-	0%	(1,252,076)	38%	1,252,076	-100%
Share based payments	(2,090,255)	98%	(1,961,724)	59%	(128,531)	7%
Total Non Cash Expenses (TNCE)	(2,136,149)	100%	(3,307,707)	100%	1,171,558	-35%

Depreciation is related to the decrease in the useful life of computer and other equipment. Depreciation decreased by $48,013, or 51%, to $45,894 for the six months ended September 30, 2025, compared to $93,907 for the six months ended September 30, 2024. The decrease for the six months ended September 30, 2025 is due 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 for the six months ended September 30, 2024. There was no comparable expense for the six months ended September 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 $128,531, or 7%, to $2.09 million for the six months ended September 30, 2025, compared to $1.96 million for the six months ended September 30, 2024. This increase is primarily due to a higher amount of equity grants issued for the six months ended September 30, 2025, compared to the six months ended September 30, 2024. The increase during the six months ended September 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	402,225	-	402,225
Previous years RSUs revaluation	-	(251,392)	(251,392)
New grants Q1 2025	76,787	26,668	103,455
New grants Q2 2025	1,027,452	805,605	1,833,057
Cancelled options	(125,621)	-	(125,621)
Balance, September 30, 2024	$ 1,380,843	$ 580,881	$ 1,961,724
Previous years graded vesting	711,710	-	711,710
Previous years RSUs revaluation	-	(1,581,375)	(1,581,375)
New grants Q1 2026	258,056	344,431	602,487
New grants Q2 2026	2,118,326	8,616	2,126,942
RSU milestone conversion	-	230,491	230,491
Balance, September 30, 2025	$ 3,088,092	$ (997,837)	$ 2,090,255

Total Operating expenses decreased by $926,190, or 5%, to $19.64 million for the six months ended September 30, 2025, compared to $19.13 million for the six months ended September 30, 2024. The decrease for the six months ended September 30, 2025 is primarily due to $1.25 million in non-cash expenses associated with the provision for contract settlement during the six months ended September 30, 2024 that was not present during the six months ended September 30, 2025, as well as a decrease in expenses associated with investor relations and marketing, which decreased by $675,568. The decrease during the six months ended September 30, 2025 was partially offset by increases in legal fees ($615,112) during the six months ended September 30, 2025.

Other Items consisted of the items below. Other Items resulted in a loss of $11,337 for the six months ended September 30, 2025, compared to a gain of $1.43 million for the six months ended September 30, 2024.

	September 30, 2025	% TOI	September 30, 2024	% TOI	$ Change	% Change
OTHER ITEMS:						
Grant income	81,909	-722%	56,034	4%	25,875	46%
Other income	501,261	-4421%	49,970	4%	451,291	903%
Gain on derivative liability	-	0%	2,464,873	173%	(2,464,873)	-100%
Accretion expense	-	0%	(453,839)	-32%	453,839	-100%
Interest expense	(12,254)	108%	(293,038)	-21%	280,784	-96%
Legal claim expense	(582,253)	5136%	-	0%	(582,253)	N/A
Provision for losses on related party transactions	-	0%	(396,524)	-28%	396,524	-100%
Total Other Items (TOI)	(11,337)	100%	1,427,476	100%	(1,438,813)	-101%

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 a program delegated by the European Commission. Grant income was $81,909 for the six months ended September 30, 2025, compared to $56,034 for the six months ended September 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 $451,291 to $501,261 for the six months ended September 30, 2025, compared to $49,970 for the six months ended September 30, 2024. This increase is primarily due to $416,208 of R&D tax credits received during the six months ended September 30, 2025.

Gain on derivative liability is the result of measuring the derivative liability embedded in the convertible debenture using the Monte-Carlo binomial. Changes in the estimates during the six months ended September 30, 2024, resulted in a gain on the fair value of derivative liability of the convertible debenture of $2,464,873. There was no such expense during the six months ended September 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 six months ended September 30, 2025, compared to an expense of $453,839 during the six months ended September 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 director's and officer's insurance. Interest expense decreased $280,784, or 96%, to $12,254 for the six months ended September 30, 2025, compared to an expense of $293,038 for the six months ended September 30, 2024. This decrease is primarily due to the conversion of the convertible debenture during the six months ended September 30, 2024.

Legal Claim Expense was $582,253 for the six months ended September 30, 2025, compared to nil for the six months ended September 30, 2024. This amount is interest accrued in connection with the David Thomson arbitration award, which was confirmed by the Los Angeles Superior Court during the six months ended September 30, 2025. There was not such expense during the six months ended September 30, 2024.

Provision for Loss on Related Party Transactions was $396,524 for the six months ended September 30, 2024. There was no provision for the six months ended September 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 September 30, 2025, management concluded that full repayment is not probable within a reasonable timeframe.

Net Loss increased $376,474, or 2%, to $19.51 million for the six months ended September 30, 2025, compared to a net loss of $19.13 million for the six months ended September 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Verses is a development-stage technology cognitive computing company specializing in researching, developing, and selling next generation intelligence software systems. We are primarily focused on developing an intelligence-as-a-service smart software platform called Genius. As described above, for the six month period ended September 30, 2025, we reported Total Cash Expense ("TCE") of $17.50 million, and for the six month period ended September 30, 2024, we reported TCE of $17.26 million. Our largest cash expense is associated with research and development, comprising $8.54 million or 49% of TCE for the six months ended September 30, 2025; $8.26 million or 48% of TCE for the six month period ended September 30, 2024. We anticipate that research and development will continue to be our largest expense, and that we will continue to have negative operating cash flow for the foreseeable future as we continue to invest in research and product development, as well as commercialization, marketing and sales of our systems and cannot accurately project when we will generate positive operating cash flow. Our average monthly cash used by operating activities, as described below, was $2.69 million per month for the past 24 months and $2.73 million for the past 3 months, which reflects an increase in research and development. We anticipate that our average monthly cash used in operations activity will increase as we commercialize, market, and sell our systems and that over time, the revenue generated from product sales will offset the increased costs commercialization, marketing, and sales and will position the company to generate positive operating cash flow. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our obligations as they become due, and we do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis.

The Company has historically raised capital to fund operations, primarily through debt and equity investors, although there is no assurance that it will be able to raise funds in the future. 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 also 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.

		September 30, 2025		March 31, 2025
Cash		1,209,908		4,816,906
Current assets, including cash		3,450,576		6,183,082
Total Assets	$	3,640,241	$	6,376,575
Current liabilities		12,819,850		15,106,292
Other liabilities		139,722		139,039
Shareholder's deficiency		(9,319,331)		(8,868,756)
Total liabilities and shareholder's deficiency	$	3,640,241	$	6,376,575

Cash decreased to $1.21 million as of September 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 $9.37 million as of September 30, 2025, compared to a working capital deficit of $8.92 million as of the year ended March 31, 2025.

For the six months ended		September 30, 2025		September 30, 2024		***Change***
Cash provided by (used) in operating activities	$	(18,323,019)	$	(16,168,175)	$	(2,154,844)
Cash provided by (used) in investing activities		(40,489)		(428,678)		388,189
Cash provided by (used) in financing activities		14,673,207		18,162,469		(3,489,262)
Foreign exchange effect on cash		83,303		(221,845)		305,148
Net change in cash during the period	$	(3,606,998)	$	1,343,771	$	(4,950,769)

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 $2.15 million to $18.32 million during the six months ended September 30, 2025, compared to $16.17 million during the six months ended September 30, 2024. The increase is primarily due to a higher variation of cash used to settle accounts payable ($1.56 million), prepaids ($324,422), and the cash allocated to accounts receivable ($241,700).

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 six months ended September 30, 2025, the Company did not report payments related to SWF and Cyberlab, compared to payments of $398,099 during the six months ended September 30, 2024. Capital expenditures associated with computers and other equipment increased by $9,910 to $40,489 during the six months ended September 30, 2025, compared to $30,579 during the six months ended September 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 $14.67 million during the six months ended September 30, 2025 compared to $18.16 million during the six months ended September 30, 2024.

- During the six months ended September 30, 2025 the Company received (used)

  - Received $13.17 million net proceeds from the issuance of Units.
  - Received $1.57 million net proceeds from the issuance of equity instruments.
  - Used $(67,732) as expenses related to the European Grant (Horizon Europe, which is a program delegated under the European Commission).
  - Used $(1.94) million on the repayment of loans.

- During the six months ended September 30, 2024 the Company received (used)

  - Received $10.00 million for the issuance of convertible debentures.
  - Received $6.94 million net proceeds from the issuance of special warrants.
  - Received $1.32 million net proceeds from the issuance of Units.
  - Received $1.73 million from the issuance of equity instruments.
  - 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2025, the end of the period covered by this Quarterly Report on Form 10-Q. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Identified Material Weakness

In connection with the audit of our financial statements as of March 31, 2025, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses that we have identified relate to:

1. Insufficient written policies and procedures to ensure the correct application of accounting and financial reporting with respect to the current requirements of GAAP and SEC disclosure requirements.

2. Due to the Company’s size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible.

3. Although the Company does have a written procedure for the approval, identification and reporting of related-party transactions may be limited.

Remediation Plan

We are taking actions to remediate the material weakness described above by reviewing and updating our internal policies and human resources allocations.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Other than as set forth below, we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

On July 13, 2022, David Thomson, a former independent contractor, filed a claim against one of the Company's U.S. subsidiaries, Verses Technologies USA Inc. ("VTU"), Cyberlab LLC ("Cyberlab"), and two directors/officers of the Company in Los Angeles Superior Court. The claim alleged violations of various sections of the California Corporations Code, breach of contract, breach of the implied covenant of good faith and fair dealing, and unjust enrichment. Plaintiff claimed as much as $5,000,000 in damages, subject to proof. On September 1, 2022, VTU filed an answer denying any wrongdoing, and also made its own counterclaim against Mr. Thomson. The cross-claims against David Thomson included: (i) misappropriation of trade secrets; (ii) breach of contract; (iii) violation of the *California Computer Data Access and Fraud Act* ("CDAFA"); and (iv) violation of the *Economic Espionage Act* along with three additional cross-claims (alleging violation of the Computer Fraud and Abuse Act, conversion, violation of the Stored Communications Act, respectively) that were subsequently dismissed by the Court. VTU, for its part, sought to recover both compensatory and punitive damages from Mr. Thomson, as well as restitution of any ill-gotten gains and an award of reasonable attorneys' fees. The arbitration was conducted for a total of 13 days over a period from February 5 through April 3, 2024, via a single arbitrator at the American Arbitration Association. The CDAFA claim was dismissed by the Arbitrator, but the claims for trade secret misappropriation, breach of contract and unjust enrichment were allowed to move forward. A final arbitration award was issued on May 17, 2024. The final award imposed liability against: (i) VTU, jointly and severally with Cyberlab, LLC, a company owned by the Company's former president and current President Emeritus, Director of Global Development and a director of the Company, Dan Mapes, in the amount of $6,307,258, inclusive of interest; and (ii) Cyberlab, LLC, VTU and its principals, Gabriel René and Dan Mapes, jointly and severally, for damages in the amount of $1,900,000, interest of $709,973 costs of $64,303 and the fees of plaintiff's counsel totaling $920,231. To resolve their part of joint and several liability, Mr. René and Mr. Mapes are working toward satisfying the portion of the award that applies to them as individuals, including $1,666,000 proceeds from insurance. The remaining liability belongs to VTU. Initial good faith payments of $1,791,000 have been made to the claimant. On January 24, 2025, Mr. Thomson filed a Petition to Confirm the Arbitration Award with the Los Angeles Superior Court. A hearing on the Petition was held and on May 8, 2025, the Petition was confirmed for approximately $9,900,000 million together with interest accrued thereon. We recorded the total amount of this award as an expense incurred during our fiscal year ended March 31, 2024, while in the following fiscal year we recorded as income the $1,666,000 insurance payment received by Mr. Mapes and Mr. Rene, which was partially offset by an aggregate of $817,787 of interest that accrued on the total award during the most recently completed fiscal year ended.

On August 10, 2024, the Company learned that a complaint (the "Complaint") had been filed in the Los Angeles Superior Court on June 21, 2024 by a former employee (the "Complainant") against one of the Company's US subsidiaries (VERSES, Inc. or "VINC") and one of its employees in their individual capacity. The Complainant worked for VINC but had been terminated several weeks prior by VINC for poor work performance. The Complaint alleges, *inter alia*, gender harassment; gender discrimination; race discrimination; race harassment; retaliation; and wrongful termination, while seeking to recover as much as US$3,500,000 in general and special compensatory damages, subject to proof. The Company (and VINC) for its part, disputes the allegations, and considers the Complainant's termination to have been completely proper and justified under applicable law. VINC was properly served with a copy of the Complaint (and associated summons) and it filed an Answer to the allegations raised therein on September 24, 2024. The employment contract with the Complainant contained an arbitration clause, and VINC's counsel timely moved to compel arbitration (the "VINC Motion") and a hearing was held on April 1, 2025. The tentative ruling from the Los Angeles Superior Court (the "Court") denied the VINC Motion, finding that the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act of 2021 ("EFAA") was applicable to the Complainant's "gender harassment" claim and that the Complainant had the option to bring her claims to the Court instead of arbitration. The Court allowed for limited oral advocacy during which VINC's counsel argued that the arbitration clause should be enforced. The Court took the matter under submission but, after due deliberation, reaffirmed its original conclusions. The Complainant served VINC with discovery requests, and responses were sent on May 8, 2025. The Court assigned a trial date of July 10, 2026, and also asked the parties to engage in informal mediation via a court sponsored alternative dispute resolution program. A post-mediation status conference is scheduled for Sept. 15, 2025 where the parties have been instructed to summarize the outcome of the mediation process.

On August 11, 2025, David Thomson ("Complainant") made a motion with the Court seeking from VTU, Cyberlab and two directors/officers of the Company, an aggregate of $495,543 for attorney's fees and related costs incurred by the Complainant after the May 17, 2024, final arbitration award. This motion is based on the Court's judgment on May 28, 2025, which gave the Court discretion to award the Complainant attorney's fees and expenses incurred by the Complainant after May 17, 2024. A hearing date has been set for April 21, 2026. We are currently evaluating this motion and intend to respond to it in due course.

Other than the above, we are not currently involved in any material legal proceedings. We may be involved from time to time in various claims and legal actions arising in the ordinary course of business, including proceedings involving employee claims, contract disputes, and other general liability claims, as well as trademark, copyright, and related claims and legal actions. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the year ended March 31, 2025 as filed with the SEC on July 14, 2025 ("Annual Report"). There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks in our Annual Report which could materially affect our business, financial condition or future results. The risks in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the fiscal quarter ended September 30, 2025, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 is formatted in Inline XBRL

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	VERSES AI INC.
Date: November 13, 2025	By: *<u>/s/ Gabriel René</u>* Gabriel René Chief Executive Officer (Principal Executive Officer)
Date: November 13, 2025	By: *<u>/s/ James Christodoulou</u>* James Christodoulou Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF VERSES AI INC.
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gabriel René, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verses AI Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2025

/s/ Gabriel René
Gabriel René
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER OF VERSES AI INC.
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Christodoulou, certify that:

1. I have reviewed this Annual Report on Form 10-K of Verses AI Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 13, 2025

/s/ James Christodoulou
James Christodoulou
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 1350 OF TITLE 18 OF THE UNITED STATES CODE

Pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Gabriel René and James Christodoulou, the, Chief Executive Officer and Chief Financial Officer, respectively, of Verses AI Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2025

/s/ Gabriel René
Gabriel René
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2025

/s/ James Christodoulou
James Christodoulou
Chief Financial Officer
(Principal Financial Officer)