

Operator

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A recording and transcript of this call will be available on the company's website at www.verses.ai.

With that, I will turn the call over to interim CEO, David T. Scott.

David T. Scott

Alright. Good day, everyone, and thank you for joining us. As I've shared on prior calls, when I stepped into the role as interim CEO, one of my commitments was to establish consistent, transparent communication with you, our investors, and to directly address the questions that many of you have been asking.

Today's webinar is an important part of delivering on that commitment. It gives us the opportunity to go beyond what we can cover in a press release, providing deeper context, more detailed updates, and clarity on topics that have come up over the past month.

Over the course of today's update, we'll focus on three areas. First, we'll provide an overview of recent business developments and financing progress.

Second, we'll share a technology update with a deeper look at our AXIOM model and the role that it plays in our broader platform.

And third, we'll address a number of questions related to the company's management and operations that we weren't able to fully cover in our previous session.

So with that, let's get started.

As mentioned in previous months, we remain focused on our financial services vertical, and I'm pleased to share today that our lighthouse client has extended our agreement into a new phase.

This next stage involves working more closely with both investment and risk management teams to further evaluate the effectiveness of our models within their existing workflows. It's an important step towards validating real world performance and deepening integration into live operating environments.

In addition, our work continues to gain external recognition. We were recently featured in Diginomica, which highlighted Karl Friston's work on quantifying uncertainty and building systems that exhibit curiosity, concepts that are foundational to our approach.

So with this, I'll now turn it over to James Hendrickson, our President and COO, who will talk about AXIOM and the importance that this technology plays in our broader strategy. Take it away, James.

Alrighty, James might be having some technical difficulty.

James Hendrickson

Nope, I'm here. I was very excited and I just forgot to take myself off of mute.

As we said on the previous webinar several years ago, we started on an ambitious journey to approach AI from a different perspective from other AI Systems.

We started with the work of Professor Karl Friston, who developed the theories that best describe how the human brain works.

The challenge was to translate this understanding into computer code that could scale to real world problems.

This month, we are going to dive into one example of doing that with AXIOM. If you recall, we released AXIOM as part of the Game World Challenge last summer, but we've never really talked through it in any detail.

AXIOM is a model developed by our research team that Karl described as the world's first digital brain. A human brain has many different parts that perform specialized tasks.

For instance, the frontal lobe of the brain does planning, while the occipital lobe deals with vision.

AXIOM is similar with modules that have specialized functions which enable it to play computer games in the Game World benchmark.

Over the next few minutes, I will walk you through how AXIOM works using this diagram on the right. It looks complex, but it will hopefully become clearer through looking at it one step at a time. The image on the right will be broken down into smaller parts on each of the following slides so that you can see each module and what its function is as part of the whole system.

The innovation that makes this the world's first digital brain is that in addition to the sophistication of these modules, they can work together as a team.

So we will demonstrate this through an abstracted game where the player has to catch a bomb of a falling ball of sorts. On the diagram, you see that AXIOM's first task is to understand where the objects are in the game, whether it's the opponent, the bombs being dropped or its own basket with which it catches the bombs.

AXIOM does this using a visual vision module known as a slot mixture model or SMM, which translates the pixels it sees into objects.

As with everything built using our product Genius, these objects are represented by probabilistic fields.

This allows the module to efficiently identify objects without wasting resources on their precise size, but more on their actual function.

This process is similar to the process that the human brain uses when catching a ball, where it focuses on the trajectory and the approximate size of the object, but doesn't waste resources on closely examining the details of the ball.

In short, the model at this point can say this is a bomb.

Once the objects have been identified, they are remembered over time by a memory module, technically called an identity mixture module or IMM that you see there in red.

This allows AXIOM to track these objects over time without the risk of forgetting, which occurs routinely in other AI models.

At this point, AXIOM can say this is a bomb and it is the same bomb I saw one second ago in a similar location.

For instance, having fallen slightly further down the screen.

Again, this process mimics the human brain, which tracks moving objects efficiently.

The third module is called a transition mixture model or TMM, which allows AXIOM to plan and predict the paths of objects.

In the image, you can see that the model is able to probabilistically predict trajectories of each object.

At this point, AXIOM can predict that this bomb is going to continue falling down the screen unless it interacts with the catching basket, at which point it will disappear.

Finally, this transition mixture model works with the recurrent mixture model or RMM to put all this together the way that the human brain does.

This final module allows AXIOM to think about what happens if I do this given my probability estimates for the trajectories of each object?

Specifically, where should I move the basket to, given my understanding of where the bomb is likely to fall and where the future bombs are likely to be released?

AXIOM's breakthrough is to enable all these models to work seamlessly as a team so that they can identify objects, track them over time, predict their trajectories and ultimately learn how to win a game.

Our models also learn fast.

In the bomb catching game show, AXIOM quickly adapts to the bomb dropping object changing color, as you see in this video.

It continues to successfully play the game even though there has been no warning of this change and even in situations where the opponent changes shape.

This is because it looks at the objects and their behaviors rather than memorizing pixels.

Most other AIs then encounter a change of color or shape in this game would need to be fully retrained, taking a long time and at a high cost for something that any human would quickly understand, the change in color.

This is how the human brain works. For instance, somebody catching a ball would quickly understand it changing color as it moves from sun to shade.

Now we won't go into a lot of details today about how exactly this works, but I think it's worth mentioning one part of AXIOM, which is that it operates with preexisting beliefs known as priors that it takes into encounters.

These allow it to learn faster from a rational starting point. For instance, a belief that objects generally persist and have consistent trajectory through space allows AXIOM to quickly recognize that while its opponent has changed color, it is still the same object. Just as the human brain quickly adapts, so does AXIOM.

This adaptation is what allows AXIOM models to be so efficient.

In the Game World 10K benchmark, which we released last year, AXIOM significantly outperforms Google's DeepMind models, achieving sixty percent better gameplay and learning seven times faster while being four forty times smaller in model size.

Now, if you look at these results in-depth, you will see that AXIOM learns much faster than alternative models and it performs better overall. This doesn't even account for changes in things like shape and color that AXIOM can handle that the other models can't do on the fly at all.

If you'd like to learn more about this, please look at our website for more information on AXIOM or reach out to us with specific questions. So with that quick overview, let's go back to Dave for some Q and A.

David T. Scott

All right. And before we get started, I have been perusing the Q&A. I just wanted to clarify that the Lighthouse customer is a paying customer and they are one of the top twenty five global asset managers. So thank you very much for asking those questions and clarifying and and happy to provide more clarity there.

All right. So as always, we welcome your questions. And as Dave said, we're going through that in the Q&A live. For today's discussions, we've grouped questions by common themes. So while you may not hear your exact submission from a previous webinar or that you've submitted online read and verbatim, you should hear a clear and relevant response addressing the underlying topic.

If additional questions come up during the call that we're not able to get to, we'll make sure we address those in future updates. So with that, let's jump into the Q&A.

James Hendrickson

So what is being done to market the financial services product, Dave?

David T. Scott

So over the past couple of months, we've expanded our outreach to prospective financial services customers through targeted relationship driven engagement. Our focus has been on refining pricing, sharpening our use cases and prioritizing opportunities where we can deliver clear value. Our Lighthouse client, for instance, a global asset manager with over one hundred billion dollars in assets under management, has played a key role in strengthening both our product understanding and our credibility with this particular solution.

Through that work, we've refined Genius to better meet the needs of any financial services organization with a similar use case.

As a result, we're entering customer conversations with greater confidence in the product and our ability to address key questions early on.

We are actively building a pipeline of qualified opportunities and continuing to expand it through targeted outreach and engagement with domain experts.

James Hendrickson

All right, next question. How big is your target market and what does your customer adoption trajectory, your pipeline and your revenues look like?

David T. Scott

Yeah, this is an important question to answer. So in the near term we're focused on the financial services industry as we've mentioned before.

Industry data from firms like McKinsey and PwC indicate that asset managers tend to spend between point one and point three percent of assets under management annually on costs such as data analytics and technology.

For example, McKinsey estimates the industry spent approximately \$167BN in 2024 on tools like ours, with technology spending growing at around 9%.

Genius is designed to solve complex problems, high value problems, which means it is sold in enterprise environments where the value per con for a customer can be significant. As a result, the sales process is more deliberate, often involving evaluation, customization, integration, and typically beginning with a paid proof of concept.

While this leads to longer sales cycles, each successful deployment also has the potential to generate substantial revenue per customer.

At the same time, we're also exploring adjacent use cases within the financial services sector where these sales cycles could be shorter.

For example, commodities trading where decision making is more straightforward because only one asset's price has to be considered at any given time.

As the product matures, we also expect an increasing share of sales to come through channel partners, improving efficiency and scalability.

Over time, we also expect a greater portion of revenue to shift towards recurring software licensing as deployment becomes more standardized.

James Hendrickson

Great. So what is the competitive landscape look like for this?

David T. Scott

Yeah. So so we're not we're not aware of any other active inference companies operating at the similar scale to VERSES.

However, among AI services, Claude for financial services, as example, stands out.

In addition, there are a few other entrants. So BlackRock's Alpha Agents aims to generate risk adjusted higher returns by providing better advice to portfolio managers on equities through an LLM system.

And JPMorgan's Ask David system aims to provide better synthesized data and analysis for portfolio managers.

Both of these companies have deployed their relevant tools in house. They've developed them in house and would not likely sell their technology to any of their competitors.

We also note that these products are based on large language models and are therefore black boxes, which may create problems for companies that require high levels of transparency in their decision making.

So while we do not compete with these while we do compete with existing tools and datasets used by these financial services institutions, customer feedback indicates that our approach is meaningfully differentiated.

For example, Genius is designed to quantify uncertainty, which makes it well suited to complex decision making environments, particularly compared to the more opaque black box approaches such as large language models.

Put simply, fund managers cannot invest billions of dollars without understanding the how an AI model is making its recommendation, because their investment governance process would not allow them to do so.

This puts us in a unique position to solve this problem.

James Hendrickson

Thank you, Dave. We're going to change gears just a little bit? How does Versus benefit financially from other companies adopting spatial Web standards like the IEEE were?

David T. Scott

So right now, our focus is on developing Genius and financial services where we see the clearest path to near term revenue. That said, as IEEE based spatial web standards gain adoption, we expect opportunities to monetize through infrastructure, tooling and enterprise applications built on these standards.

The exact path is still evolving, so we're prioritizing near traction near term traction while positioning ourselves to capture value as the ecosystem develops.

James Hendrickson

So related to that, are you still working on the smart cities with analog?

David T. Scott

Well, as noted previously, we don't provide ongoing commentary on specific customer relationships as doing so could impact our ability to negotiate effectively with both current and prospective customers. That includes not disclosing the status of our time or timing of individual engagements as they evolve or conclude.

James Hendrickson

All right. Here's an easy one. Will these company webinars continue to happen regularly?

Yeah. And answer your question, Steven. Yeah. Sometimes I use AI to refine the questions, but the answers are quite genuine and specific to the question.

But, it is utilized, of course, in order to, to help, think through how we're gonna say things.

So, yes, we intend to continue communicating regularly through webinars, newsletters, earnings calls, and press releases, as well as through media interviews and updates on our website and social channels.

While timing may be varied on regulatory requirements and company developments, you can expect consistent and ongoing communication from us.

James Hendrickson

All right. Could you provide more details on the existing lawsuits?

David T. Scott

Again, outside of what we discussed in our public filings, we're not able to comment on active legal proceedings. As always, we'll continue to provide updates through our required disclosures.

James Hendrickson

Following the departure of founders Dan Mapes and Gabriel René, could management, that would be you, Dave, clarify whether their shareholding shareholdings remain unchanged and whether any lockup or sale restrictions apply.

David T. Scott

So Dan and Gabe, like all current and former employees, remain subject to applicable security laws, including restrictions on trading while in possession of material nonpublic information. As they are no longer part of the company, we do not have oversight over their individual trading activity beyond what is disclosed through required public filings.

James Hendrickson

Is there a way to partner with companies such as Google, Apple or Anthropic?

David T. Scott

Yeah, of course. I mean, we see a range of potential partnerships through opportunity and partnership opportunities, both commercial and research oriented, and we'll continue to evaluate them as they arise.

As a standard, we're not able to discuss specific partnerships until they are actually finalized.

All right. And how many people do you have on your payroll or our payroll and how much cash do you have on hand to support them?

So we have a mix of full time employees, contractors and consultants. So our total headcount can vary as we align resources with the business needs and managing costs.

As always, we'll report our weighted average number of employees in our financial statements.

With respect to cash, we're not in a position to comment outside of our formal disclosures, which will be provided in our year end and periodic financial filings.

James Hendrickson

So, Dave, before we wrap this up, because I think there's some we're going to move on to when our next call is, I did there were a few questions that came in that were specifically related to the AXIOM.

Right.

That we that we talked about. So I want to address those at least a little bit right now. There is an enormous amount of information on our website that includes the link to the paper.

There is a summary of it as well as a third party validation of this.

And all of those are useful for looking through this and understanding, for example, what we're comparing the different statistics to. So you can see that in great detail there and you can kind of check our work, if you will.

And then much of this is actually a multi agent approach. So this is not something that is a single agent as we're doing it today. So we'll dive in and give more details on these questions on future webinars, but [we] wanted you to be aware that there is an enormous amount of information out there.

I know some of it can be rather technical. Spend some time on it to understand it and usually your questions will be answered there. However, we will also come back and answer them here. But in the interim between now and our next call, have a look at what's out there and then you can frame your questions directly based on that data.

David T. Scott

Yeah. And just before we conclude, I'm seeing some really good conversations in the Q and A, just two more things. Yes, we'll be updating the presentation on the website. It is out of date. We're working on it now and should have that up shortly.

And yes, it would always be lovely to actually do some advertising. However, you know, what we're going after is a very targeted and curated list of top portfolio managers.

And so we're really sort of shooting with an elephant gun rather than a shotgun. And so we think the best course of action is to continue to build, to bridge relationships, to have conversations with the key target customers that matter.

Alright. Great questions, everyone. I wanna thank you for your time and your thoughtful questions. If there were any that we weren't able to address, we'll look to cover them in our future webinars and our upcoming communications where appropriate. Our next webinar is gonna be May nineteenth, and we look forward to seeing you then. And thank you. And as always, take care, and we'll talk to you soon.

Thanks, everyone.