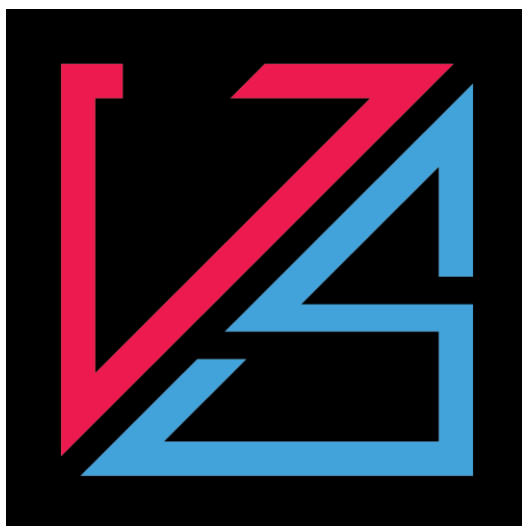


VERSUS SYSTEMS INC.



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED

JUNE 30, 2016

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	June 30, 2016	December 31, 2015
	(\$)	(\$)
ASSETS		
Current assets		
Cash	2,468,786	22,806
GST receivable	7,420	6,057
Prepaid expenses	10,653	13,597
	2,486,859	42,460
Restricted deposits (Note 4)	11,500	-
Advance (Note 5)	-	346,000
Exploration and evaluation assets (Note 7)	-	568,922
Intangible assets (Note 6)	5,945,578	-
	8,443,937	957,382
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	347,916	191,556
Decommissioning liability (Note 10)	78,430	78,430
Current portion of notes payable (Note 9)	100,000	15,502
	526,346	285,488
Notes payable (Note 9)	-	236,000
	526,346	521,488
Shareholders' equity		
Share capital (Note 11)		
Common shares	84,833,366	78,855,158
Subscriptions receivable	(344,693)	-
Class "A" shares	37,927	37,927
Share-based reserves (Note 11)	4,332,044	4,044,461
Deficit	(84,156,265)	(82,501,652)
	4,702,379	435,894
Non-controlling interest	3,215,212	-
	7,917,591	435,894
	8,443,937	957,382

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 17)

Subsequent events (Note 18)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 15, 2016. They are signed on behalf of the Board of Directors by:

"Matthew Pierce"
Director

"Brian Tingle"
Director

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended June 30, 2016	Three Month Period Ended June 30, 2015	Six Month Period Ended June 30, 2016	Six Month Period Ended June 30, 2015
			(\$)	(\$)
EXPENSES				
Consulting fees (Note 12)	154,748	75,402	207,498	152,426
Finder's fee	250,000	-	250,000	-
Foreign exchange loss (gain)	(1,498)	-	19,462	(49)
General and administrative	115,286	58,420	171,449	84,859
Interest expense (Note 12)	-	3,175	-	6,234
Professional fees (Note 12)	96,575	33,856	142,465	55,254
Property investigation costs	-	5,682	-	6,350
Sales and marketing	2,335	182	31,033	396
Share-based compensation (Note 11)	287,583	85,000	287,583	85,000
Loss from operations	(905,029)	(261,717)	(1,109,490)	(390,470)
Other income	150	306	563	1,196
Dilution gain (Note 6)	23,866	-	23,866	-
Impairment of exploration and evaluation assets (Note 7)	(569,552)	-	(569,552)	-
Loss and comprehensive loss	(1,450,565)	(261,411)	(1,654,613)	(389,274)
Basic and diluted loss per common share	(0.03)	(0.01)	(0.04)	(0.01)
Weighted average common shares outstanding	42,173,542	35,341,017	39,468,039	30,883,282

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital							Total Shareholders' Equity (Deficiency)	Non-controlling Interest	Total Equity (Deficiency)
	Number of Common Shares	Number of Class "A" Shares	Common Shares	Subscriptions Receivable	Class "A" Shares	Share-based Reserves	Deficit			
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2014	21,291,017	33,713	77,440,274	-	37,927	3,964,967	(81,606,256)	(163,088)	-	(163,088)
Shares issued in private placement	12,050,000	-	1,205,000	-	-	-	-	1,205,000	-	1,205,000
Share issuance costs - cash	-	-	(80,116)	-	-	-	-	(80,116)	-	(80,116)
Shares issued for exploration and evaluation asset	2,000,000	-	260,000	-	-	-	-	260,000	-	260,000
Stock options granted	-	-	-	-	-	85,000	-	85,000	-	85,000
Loss and comprehensive loss	-	-	-	-	-	-	(389,274)	(389,274)	-	(389,274)
Balance at June 30, 2015	35,341,017	33,713	78,825,158	-	37,927	4,049,967	(81,995,530)	917,522	-	917,522
Stock options granted	-	-	-	-	-	(5,506)	-	(5,506)	-	(5,506)
Shares issued for warrant exercise	249,999	-	30,000	-	-	-	-	30,000	-	30,000
Loss and comprehensive loss	-	-	-	-	-	-	(506,122)	(506,122)	-	(506,122)
Balance at December 31, 2015	35,591,016	33,713	78,855,158	-	37,927	4,044,461	(82,501,652)	435,894	-	435,894
Acquisition of Versus LLC	-	-	-	-	-	-	-	-	3,215,212	3,215,212
Performance warrants issued	-	-	-	-	-	287,583	-	287,583	-	287,583
Shares issued for warrant exercise	6,349,999	-	762,000	-	-	-	-	762,000	-	762,000
Shares issued for finder's fee	1,000,000	-	250,000	-	-	-	-	250,000	-	250,000
Shares issued in private placement	20,160,000	-	5,040,000	(344,693)	-	-	-	4,695,307	-	4,695,307
Share issuance costs - cash	-	-	(73,792)	-	-	-	-	(73,792)	-	(73,792)
Loss and comprehensive loss	-	-	-	-	-	-	(1,654,613)	(1,654,613)	-	(1,654,613)
Balance at June 30, 2016	63,101,015	33,713	84,833,366	(344,693)	37,927	4,332,044	(84,156,265)	4,702,379	3,215,212	7,917,591

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Month Period Ended June 30, 2016 (\$)	Six Month Period Ended June 30, 2015 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss and comprehensive loss	(1,654,613)	(389,274)
Items not affecting cash:		
Accrued interest	-	6,234
Dilution gain	(23,866)	-
Finder's fee	250,000	-
Foreign exchange loss	18,159	-
Impairment of exploration and evaluation assets	569,552	-
Share-based compensation	287,583	85,000
Changes in non-cash working capital items:		
GST receivable	(1,363)	823
Prepaid expenses	2,944	(3,469)
Accounts payable and accrued liabilities	12,845	(96,278)
Cash used in operating activities	(538,759)	(396,964)
FINANCING ACTIVITIES		
Proceeds from notes payable	145,500	22,500
Proceeds from issuance of common shares	5,457,307	1,205,000
Repayment of notes payable	(297,002)	-
Share issuance costs	(73,792)	(74,624)
Cash provided by financing activities	5,232,013	1,152,876
INVESTING ACTIVITIES		
Advance to Versus, LLC	(322,324)	-
Cash acquired on acquisition of Versus, LLC	49,902	-
Exploration and evaluation expenditures	(630)	-
Investment in Versus, LLC	(1,962,722)	-
Restricted deposit	(11,500)	(145,232)
Cash used in investing activities	(2,247,274)	(145,232)
Change in cash during the period	2,445,980	610,680
Cash - Beginning of period	22,806	1,572
Cash - End of period	2,468,786	612,252

Supplemental Cash Flow Information (Note 16)

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)



1. NATURE OF OPERATIONS AND GOING CONCERN

Versus Systems Inc. (the "Company") was continued under the Business Corporations Act (British Columbia) effective January 7, 2007. On June 14, 2016, the Company changed its name from Opal Energy Corp. to Versus Systems Inc. The Company's head office and registered and records office is Suite 302 – 1620 West 8th Ave, Vancouver, BC, V6J 1V4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol "VS".

The Company is engaged in the technology sector, and is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. At the date of the condensed interim consolidated financial statements, the Company has not earned any revenues from operations and is considered to be in the development stage.

These consolidated financial statements have been prepared on a going concern basis in accordance with International financial reporting standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at June 30, 2016, the Company had working capital of \$1,960,513, an accumulated deficit of \$84,156,265 and incurred a net loss of \$1,654,613 for the period then ended. The Company's sources of funding have historically been the issuance of shares, most recently an \$5,040,000 equity financing. Accordingly, the Company presently has sufficient working capital to fund operations for the next twelve months.

2. BASIS OF PRESENTATION**Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015, prepared in accordance with IFRS as issued by the IASB.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and for certain financial assets and liabilities measured at fair value.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)

**2. BASIS OF PRESENTATION** (continued)**Functional and presentation currency**

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company and its subsidiaries.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Opal Energy Inc.	United States of America	100%	Dormant
Opal Energy (Holdco) Corp	United States of America	38.2%	Holding Company
Versus LLC	United States of America	38.2%	Technology Company

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company has adequately provided for all income tax obligations, however; changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

ii) Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.



2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)

Significant judgments that management has made at the end of the reporting period are as follows:

i) Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

ii) Carrying value and the recoverability of intangible assets

Management has determined that intangible assets acquired in the acquisition of Versus LLC may have future economic benefits and may be economically recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2015. However, some additional accounting policies have been adopted as a result of the business combination with Versus LLC (Note 6).

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration paid, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. Acquisition costs incurred are expensed on the statement of loss and comprehensive loss. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Intangible assets excluding goodwill

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)

**3. SIGNIFICANT ACCOUNTING POLICIES****Intangible assets excluding goodwill (continued)**

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenses incurred from the date when the intangible assets first meet the recognition criteria listed above. If no future economic benefit is expected before the end of the life of assets, the residual book value is expensed. Subsequent to initial recognition, internally-generated intangible assets are reported at cost. Where no internally-generated intangible asset can be recognized, development costs are recognized as an expense in the period in which it is incurred.

Amortization of software is recognized on a straight-line basis over a period of 8 years.

Impairment of intangible assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If any such indication exists, the recoverable amount of the cash-generating unit to which the asset belongs is estimated in order to determine the extent of the impairment losses (if any).

Where a reasonable and consistent basis of allocation can be identified, corporate assets (assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units) are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognized for the asset (or cash-generating unit) in prior years. A reversal of impairment losses is recognized immediately in profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective January 1, 2016, the following standards were adopted but have had no material impact on the condensed interim consolidated financial statements:

IFRS 11, Joint arrangements

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

IAS 16, Property, plant and equipment and IAS 38, Intangible assets

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

New standards, amendments and interpretations to existing standards not yet effective

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

IFRS 9, Financial instruments

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

IFRS 15, Revenue from Contracts with Customers

This standard was issued in May 2014 and will be the new standard for the recognition of revenue, replacing IAS 18, Revenue. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations to existing standards not yet effective (continued)

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

IFRS 16, Leases

This standard was issued in January 2016 and specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt the standards early.

4. RESTRICTED DEPOSIT

As at June 30, 2016, restricted deposits consisted of \$11,500 (December 31, 2015 - \$Nil) held in a guaranteed investment certificate as collateral for a corporate credit card.

5. ADVANCE

On December 2, 2015, the Company advanced \$335,875 (US\$250,000) to Versus LLC in accordance with a letter of intent ("LOI") that was executed on November 24, 2015. During the six month period ended June 30, 2016, the Company advanced an additional \$314,350 (US\$250,000) to Versus LLC. These intercompany advances have been eliminated upon consolidation (Note 6).

6. BUSINESS COMBINATION WITH VERSUS LLC

On June 26, 2016, the Company acquired a 37.5% ownership interest in Versus LLC, a privately held limited liability company organized under the laws of the state of Nevada, from existing members (the "Selling Members") in consideration of a cash payment of \$1,962,722 (US\$1,500,000). Versus LLC is a technology company that is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players.

On June 30, 2016, the Company and the Selling Members exchanged 100% of their ownership units in Versus LLC for 8,950.05 common shares of Opal Energy (Holdco) Corp. ("Newco") determined to have a fair value of \$5,201,800 (US\$4,000,000). Consequently, Versus LLC became a wholly-owned subsidiary of Newco. This share exchange resulted in a reduction of the Company's ownership interest in Newco from 100% to 38.2%, and a dilution gain of \$23,866 was recorded in the statement of loss and comprehensive loss for the six month period ended June 30, 2016.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)

**6. BUSINESS COMBINATION WITH VERSUS LLC (continued)**

In addition, the Company acquired full voting control over all of the Newco shares held by the Selling Members in exchange for granting them the right to exchange their Newco shares for such number of common shares of the Company equal to a total value of US\$2,500,000, and common share purchase warrants with a total value of US\$1,250,000 at an exercise price of \$0.20 per share until June 30, 2019. As a result of this voting control, the Company has consolidated the assets, liabilities and results of operations of Versus LLC since the date of acquisition. Furthermore, the Company has recorded a non-controlling interest related to the 61.8% interest held by the Selling Members in the net identifiable assets of Versus LLC.

The transaction with Versus LLC was determined to be a business combination under IFRS 3, and accordingly the Company used the acquisition method as follows:

	Amount
	(\$)
Cash	49,902
Intangible assets	5,945,578
Accounts payable and accrued liabilities	(143,515)
Loan payable to the Company	(650,165)
Net identifiable assets at fair value acquired	5,201,800
Non-controlling interest	(3,215,212)
Dilution gain	(23,866)
Purchase consideration	1,962,722

In connection with the acquisition of Versus, LLC, the Company paid a finder's fee of 1,000,000 common shares with a fair value of \$250,000 which was expensed during the six month period ended June 30, 2016.

7. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Canada.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)

**7. EXPLORATION AND EVALUATION ASSETS (continued)****Firebag River Property, Alberta**

On September 23, 2014, the Company entered into a property option agreement with 877384 Alberta Ltd. and Declan Resources Inc. ("Declan") to acquire a 70% interest in the Firebag River Property located in Alberta, Canada. To acquire the property, the Company must make cash payments, incur expenditures and issue shares as follows:

	Acquisition - Shares	Acquisition - Cash (\$)	Exploration Work Commitments (\$)
Upon regulatory approval of agreement (paid and issued)	2,000,000	50,000	-
November 22, 2014 (completed) ⁽¹⁾	-	-	150,000
June 2, 2015 (paid)	-	156,527	-
September 2, 2016 ^{(2) (3)}	1,000,000	100,000	-
November 22, 2016	-	-	150,000
March 2, 2017	1,000,000	100,000	-
Total	4,000,000	406,527	300,000

⁽¹⁾ The Company fulfilled its expenditure obligation through a combination of exploration expenditures incurred directly by the Company and cash reimbursements totaling \$71,527 that were paid to Declan under the option agreement.

⁽²⁾ On April 14, 2016, the terms of the option agreement were amended to extend the deadline for payment of the cash and common shares from June 2, 2016 until September 2, 2016.

⁽³⁾ The Company has the option of fulfilling the cash payment in cash or through the issuance of common shares of the Company.

During the year ended December 31, 2015, the Company incurred \$436,527 in acquisition costs and \$21,574 in exploration and evaluation expenditures.

During the six month period ended June 30, 2016, the Company incurred \$630 in exploration and evaluation expenditures.

Subsequent to June 30, 2016, the Company completed a fundamental change of business in conjunction with its acquisition of Versus LLC (Note 6) and returned the Firebag River Property to Declan. Accordingly, the Company has recorded an impairment of \$569,552 to reduce the carrying value to \$Nil as at June 30, 2016.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

(Expressed in Canadian dollars)

(Unaudited)

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities are comprised of the following:

	June 30, 2016	December 31, 2015
	(\$)	(\$)
Accounts payable	235,147	58,708
Due to related parties	80,070	132,623
Accrued liabilities	32,699	225
	347,916	191,556

9. NOTES PAYABLE

During the year ended December 31, 2014, the Company issued unsecured notes payable for total proceeds of \$104,500. The loans bear interest at a rate of 10% per annum, payable quarterly, and had a maturity date of one year from the date of issuance. On October 15, 2015, the Company extended the maturity date of the outstanding notes payable to three years from the original issuance date. During the year ended December 31, 2015, the Company issued additional unsecured notes payable under the same terms for total proceeds of \$131,500.

During the six month period ended June 30, 2016, \$Nil (2015 - \$3,059) was recorded as interest expense and the Company repaid all of the outstanding notes payable including accrued interest.

During the six month period ended June 30, 2016, the Company borrowed \$100,000 (2015 - \$Nil) from a corporation controlled by a former officer and director of the Company under an unsecured note payable that was interest free, due upon demand and remained outstanding as at June 30, 2016.

10. DECOMMISSIONING LIABILITY

On March 9, 2015, the Company was contacted by the Ontario Ministry of Northern Development and Mines and notified that it has rehabilitation obligations with respect to the Tashota Nipigon mine in northern Ontario. This mine property was acquired by one of the Corporation's predecessor companies in 1939. The Corporation has retained environmental consultants to assist with the determination of the potential cost of the rehabilitation. At June 30, 2016, the Company anticipates completion of the remediation work to occur during 2016 for an estimated cost of \$78,430 (Note 18).

	Amount
	(\$)
At December 31, 2014	-
Additions	78,430
At June 30, 2016 and December 31, 2015	78,430

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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(Expressed in Canadian dollars)

(Unaudited)

**11. SHARE CAPITAL AND RESERVES****a) Authorized share capital**

An unlimited number of common shares without par value and 5,057 Class "A" shares, Series 1. The Class "A" shares, Series 1 are non-voting and are convertible into common shares at any time on the basis of 6.67 common shares for each Class "A" Series I share held.

b) Issued share capital

During the six month period ended June 30, 2016, the Company:

- i) issued 6,349,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$762,000.
- ii) issued 20,160,000 units at a price of \$0.25 per unit for total proceeds of \$5,040,000. Each unit consisted of one common share and one half of a share purchase warrant wherein each whole warrant entitles the holder to purchase one common share at a price of \$0.40 until June 30, 2018. The Company recorded \$73,792 of share issuance costs in connection with this financing.
- iii) issued 1,000,000 common shares with a fair value of \$250,000 as a finder's fee in connection with the acquisition of Versus LLC.

During the year ended December 31, 2015, the Company:

- i) issued 2,000,000 common shares at a price of \$0.13 per share at value of \$260,000 to Declan Resources Inc. pursuant to the property option agreement (Note 5).
- iv) issued 12,050,000 units at a price of \$0.10 per unit for total proceeds of \$1,205,000. Each unit consisted of one common share and one share purchase warrant wherein each warrant entitles the holder to purchase one common share at a price of \$0.15 until February 27, 2020. The Company recorded \$80,116 of share issuance costs in connection with this financing.
- v) issued 249,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$30,000.

At June 30, 2016, 5,000 common shares (December 31, 2015 – 5,000) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

c) Stock options

Pursuant to the policies of the CSE, the Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has implemented a rolling Stock Option Plan (the "Plan") whereby the Company can issue up to 10% of the issued and outstanding common shares of the Company. Options have a maximum term of ten years and vesting is determined by the Board of Directors.

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**11. SHARE CAPITAL AND RESERVES (continued)****c) Stock options (continued)**

At June 30, 2016, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Weighted Average Remaining Life (years)
April 29, 2020	850,000	850,000	0.10	3.83
July 31, 2020	100,000	100,000	0.10	4.09
	950,000	950,000	0.10	3.86

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2014	-	-
Granted	950,000	0.10
Balance – June 30, 2016 and December 31, 2015	950,000	0.10

During the six month period ended June 30, 2016, there was no stock option activity.

During the year ended December 31, 2015, the Company granted 950,000 stock options with a fair value of \$79,494. These options are fully vested on the grant date, and accordingly the Company expensed \$79,494 as share-based compensation.

The options were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

Risk-free interest rate	0.98%	Expected dividend yield	Nil
Expected life of options	5 years	Forfeiture rate	Nil
Volatility	123.70%	Weighted average fair value	\$0.08

d) Share purchase warrants

At June 30, 2016, the Company had share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price (\$)	Weighted Average Remaining Life (years)
June 30, 2018	10,080,000	0.40	2.00
February 27, 2020	12,050,000	0.15	3.66
	22,130,000	0.26	2.91

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**11. SHARE CAPITAL AND RESERVES (continued)****d) Share purchase warrants (continued)**

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2014	6,599,998	0.12
Exercised	(249,999)	0.12
Issued	12,050,000	0.15
Balance – December 31, 2015	18,399,999	0.14
Exercised	(6,349,999)	0.12
Issued	10,080,000	0.40
Balance – June 30, 2016	22,130,000	0.26

e) Performance warrants

On June 30, 2016, the Company issued 10,003,776 performance warrants with a fair value of \$1,725,496. These performance warrants vest over a period that is the earlier of achieving certain performance milestones or 33 months. During the six month period ended June 30, 2016, the Company expensed \$287,583 as share-based compensation.

The performance warrants were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

Risk-free interest rate	0.54%	Expected dividend yield	Nil
Expected life of options	5 years	Forfeiture rate	Nil
Volatility	90.0%	Weighted average fair value	\$0.17

At June 30, 2016, the Company had performance warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Warrants Exercisable	Exercise Price (\$)	Weighted Average Remaining Life (years)
June 30, 2021	10,003,776	1,667,296	0.25	5.00

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**12. RELATED PARTY TRANSACTIONS**

The following summarizes the Company's related party transactions, not disclosed elsewhere in these condensed interim consolidated financial statements, during the six month periods ended June 30, 2016 and 2015. Key management personnel includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and certain directors and officers and companies controlled or significantly influenced by them.

Key Management Personnel

	2016	2015
	(\$)	(\$)
Stock-based compensation paid to the CEO of the Company in the form of performance warrants.	202,928	-
Stock-based compensation paid to the Vice President of Engineering of the Company in the form of performance warrants.	50,731	-
Consulting fees paid or accrued to a corporation controlled by a director of the Company.	60,000	60,000
Consulting fees paid or accrued to a corporation controlled by the former CFO of the Company.	7,000	6,000
Consulting fees and interest expense paid or accrued to two corporations controlled by the former CEO of the Company.	93,747	1,315
Total	414,406	112,793

Other Related Party Payments

	2016	2015
	(\$)	(\$)
Professional fees paid or accrued to a corporation controlled by a director of the Company.	-	12,478
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company.	30,000	33,000
Total	30,000	45,478

- a) At June 30, 2016, a total of \$28,748 (December 31, 2015 - \$75,472) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CEO of the Company for reimbursable expenses.
- b) At June 30, 2016, a total of \$4,200 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CFO of the Company for consulting fees.
- c) At June 30, 2016, a total of \$22,380 (December 31, 2015 - \$49,574) was included in accounts payable and accrued liabilities owing to a former director and a corporation controlled by a former director of the Company for consulting fees and reimbursable expenses.

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**12. RELATED PARTY TRANSACTIONS**

- d) At June 30, 2016, a total of \$2,559 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to the CEO for reimbursable expenses.
- e) At June 30, 2016, a total of \$22,183 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common for consulting fees and reimbursable expenses.
- f) At June 30, 2016, a total of \$Nil (December 31, 2015 - \$55,130) in notes payable and accrued interest was owing to two corporations controlled by the former CEO of the Company (Note 8).
- g) At June 30, 2016, a total of \$Nil (December 31, 2015 - \$7,577) was included in accounts payable and accrued liabilities owing to a corporation that previously shared management in common with the Company for office sharing and occupancy costs (Note 17).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Financial risk management*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, GST receivable, restricted deposits, accounts payable and accrued liabilities and notes payable.

The Company classified its cash, GST receivable, restricted deposits and advances as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash, GST receivable, accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages its credit risk by ensuring that its cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of goods and services tax due from the government, and the balances are in good standing as at June 30, 2016.

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Liquidity risk

The Company's cash is invested in business accounts which are available on demand. The Company's cash position is sufficient to meet all financial liabilities currently outstanding and expected to be incurred over the next twelve months. Accordingly, the Company is not exposed to significant liquidity risk.

Interest rate risk

The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest bearing assets or any variable interest bearing liabilities that are tied into market rates.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company operates in Canada and the United States.

The Company was exposed to the following foreign currency risk as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
	(US\$)	(US\$)
Cash	61,551	323
Accounts payable and accrued liabilities	(110,358)	(187)
	(48,807)	136

As at June 30, 2016, with other variables unchanged, a +/- 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by \$4,881 (December 31, 2015 - \$14).

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**14. MANAGEMENT OF CAPITAL**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. Capital consists of total shareholders' equity, less amounts accumulated in shareholders' equity related to share-based payments to employees and consultants. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will spend its existing cash on hand and raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to maximize ongoing corporate development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the six month period ended June 30, 2016.

15. GEOGRAPHICAL SEGMENTED INFORMATION

The Company has changed the nature of its business and is no longer involved in the acquisition and exploration of mineral exploration and evaluation assets. As at June 30, 2016, the Company is engaged in one business activity, being the development of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. The Company's two geographical segments are Canada and the United States. All of the Company's intangible assets are located in the United States of America.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2016	June 30, 2015
	(\$)	(\$)
Non-cash investing and financing activities:		
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	-	6,617
Shares issued for acquisition of exploration and evaluation assets	-	260,000
Interest paid during the period	15,502	-
Income taxes paid during the period	-	-

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**17. COMMITMENTS AND CONTINGENCIES**

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay \$5,000 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018.

Fiscal Year	Amount
	(\$)
2016	30,000
2017	60,000
2018	35,000

18. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the Company:

- a) granted 6,288,971 incentive stock options to certain directors, officers and consultants. The options are exercisable at \$0.27 per share, have varied vesting provisions, and expire on July 13, 2021.
- b) cancelled 950,000 existing incentive stock options exercisable at \$0.10 per share.
- c) discontinued its option agreement on the Firebag River Property.
- d) disposed of its interest in the Tashota Nipigon mine in exchange for the vendor assuming the decommissioning liability associated with the property.
- e) received payment of \$344,693 in outstanding subscription receivables.

19. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.