

VERSUS SYSTEMS INC.



MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

SIX MONTH PERIOD ENDED

JUNE 30, 2016

REPORT DATE – AUGUST 15, 2016



Introduction

Versus Systems Inc. (the "Company") is a publicly traded company 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 is a reporting issuer in British Columbia, Alberta, Ontario and Quebec, and its common shares are listed and posted for trading on the Canadian Securities Exchange ("CSE") under the trading symbol "VS". The Company's offices are located at 302 - 1620 West 8th Avenue, Vancouver, BC, V6J 1V4.

The Company was previously engaged in the acquisition, exploration and development of natural resource properties in North America. However, on June 30, 2016 the Company completed a fundamental change of business through the acquisition of Versus LLC, a California based technology company that has developed state-of-the art video game and e-sports tournament software that allows video game publishers/developers to offer prize-based tournaments of their games.

In accordance with Form 51-102F1, the following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and financial condition of the Company for the six month period ended June 30, 2016. The following discussion and analysis should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the six month period ended June 30, 2016 and the audited consolidated financial statements for the year ended December 31, 2015 which were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

Forward-Looking Statements

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: limited operating history; regulatory risks; changes in laws, regulations and guidelines; failure to retain existing users or add new users; reliance on management and key personnel lack of demand; competition; rapid technological change; online commerce security risks; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.



Forward-Looking Statements (continued)

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Business Combination with Versus LLC

On June 26, 2016, the Company acquired a 37.5% ownership interest in Versus LLC ("Versus"), 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). On June 30, 2016, the Company and the Selling Members exchanged 100% of their ownership units in Versus 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 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.

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.

About Versus LLC

Versus is a limited liability company organized under the laws of the state of Nevada and headquartered in Los Angeles, California.

Versus 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. The Versus platform will facilitate several types of multiplayer matches for prizes that include real-money, consumer packaged goods ("CPG") and downloadable content ("DLC"). Versus plans to partner with existing video game developers and publishers to offer pay-to-play tournaments and matches of popular games, sharing a certain portion of the pay-to-play buy-in amount with the publisher/developers. Versus believes that the market for real-money video game matches will be very large, just as sports betting, daily fantasy sports, and e-sports have all become large and continue to be growing markets.

Versus is also in the process of prosecuting a number of patents in the areas of player verification and authentication, so that players' identities, ages, and locations can be assessed accurately prior to any real-money game is played. Versus is also in the process of prosecuting patents in the area of conditional prize distribution, such that each player can receive prizes that are intended to be legal in his or her jurisdiction. Versus intends to make its platform legal for all players, of all ages, everywhere that Versus-enabled games are played.

While Versus is in negotiations with a number of video game publisher/developers, the Versus platform is not currently available in any games and as such, Versus has never generated any revenue from operations.



Business Combination with Versus LLC (continued)

The market for Versus-enabled games will initially be the United States and Canada, followed by expansion into Asia and Europe, according to the release schedules of the prospective Versus developer/publisher partners. As Versus will be integrated directly into the developers' and publishers' video games, the majority of the marketing spend/customer acquisition costs will be borne by the publisher developers when they release their games.

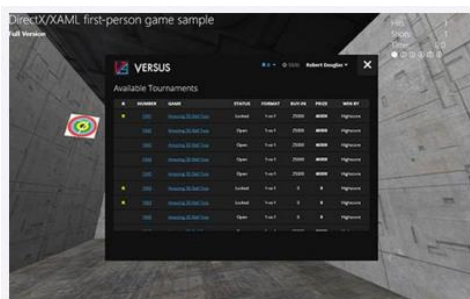
Discussions with potential publisher/developer partners have contemplated a revenue-sharing model that will allow Versus to receive approximately 2%, on average, of the top-line buy-in amount for matches where real money is the prize, 10%, on average, of the top-line buy-in amount for matches where CPG is the prize, and approximately 20%, on average, of the top-line buy-in amount for matches where DLC is the prize.

The Versus publisher/developer dashboard, the primary way that publisher/developer partners will interact with the Versus system, will allow such partners to "turn on" or "turn off" features, game types, and regions as the technology, business, and legal/regulatory environments evolve. For example, a publisher may choose to release only DLC prize tournaments in the United States initially before turning on real money gaming in the United States, or turning on DLC matches in Canada or the United Kingdom. They can also turn off features and regions selectively if business demands require it. That said, publishers and developers will not be allowed to "turn on" real money gaming in any region where that prize type is not legal.

The current Versus technology is in alpha/demo phase. The business has secured letters of intent from multiple international publisher/developers and plans to begin technical integration with publisher/developers this year (2016) with the intention of releasing a Versus-enabled game within 12 months.

Demo Examples

3D Ball Toss – an asynchronous single player game (like Tetris or PacMan)

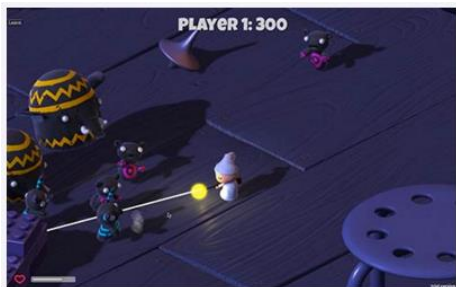


- Platform allows multiplayer “matches” for 2 to unlimited players;
- Developers can create tournaments with multiple winners and multiple win conditions (high score, fastest, fewest misses, etc.);
- Players can choose from multiple buy-in amounts and multiple prize types (downloadable content, real money, physical goods);
- Interface is via overlaid webviews (not integrated directly into the game);
- Built on windows platform for PC and Xbox.



Business Combination with Versus LLC (continued)

Nightmare – a synchronous multiplayer game (such as Madden, Halo or League of Legends)



- Developers can choose to offer matches for individual players, teams, or groups of teams;
- Matches can have multiple winners, and multiple prize types can be distributed to multiple players, even players on the same team;
- The Versus interface is integrated directly into the game, as invisibly as possible to maintain game-world integrity; and
- Versus platform is developed in a rails architecture that can interface with games built in Unity, Unreal, Python, or any other stack.

Overview of the Industry

According to a Newzoo 2015 Global Games Report, the video game industry is over a \$100-billion-dollar market, and has seen enormous growth in the last ten years. In particular, the last five years have seen an explosion of the category of paid DLC where players purchase items and game elements online and they are downloaded into their PC, gaming console, or mobile device. Multiple publisher/developers made in excess of \$1 billion dollars of revenue in 2015 by having their players purchase in-game upgrades and content. King Digital Entertainment plc (“King”) was purchased by Activision Blizzard Inc. in November of 2015 for \$5.9 billion due in large part to King’s history of creating games with significant DLC revenue streams.

There are multiple games that have over one million daily active users, including several competitive multiplayer games that have developed their own professional electronic sports (“e-sports”) communities. These e-sports competitions regularly draw spectators, both in-person and online, in the millions. The 2015 world championships of Defense of the Ancients (“DOTA”), a multiplayer online battle arena modification for the video game “Warcraft III” and its expansions, were held at Madison Square Garden in New York, and more people watched the 2015 League of Legends world championship online than watched all of the 2015 Stanley Cup Finals combined. ESPN Inc. and its affiliates now carry news of major e-sports events. Nearly one-half of the most-viewed YouTube channels are video game oriented, and Twitch, a live streaming platform specifically designed for video gamers, was sold to Amazon in August 2014 for nearly \$1 billion.

The Company believes there is an enormous appetite for competitive video gaming, and unlike fantasy gaming models where players wager on the performance of famous athletes, the Versus platform will allow players to play against their friends directly or challenge others to showcase their skills in order to compete for money and prizes. Versus has developed a technology that allows players to play their favorite games, legally, for real money, DLC and prizes.



Business Combination with Versus LLC (continued)

Future roadmap

Beyond the development of the pay-to-play platform and the integration of this platform into popular, global PC and console games, Versus is preparing additional intellectual property and software roadmaps for its next stage of development. Versus plans to take advantage of the large and growing video game spectator market by working with multiple distribution channels, including YouTube, Twitch, and even the traditional media of television. Versus believes that viewers who already consume video game content at astonishing rates will be even more engaged with the addition of gaming stakes.

Versus is also pursuing a number of patents in and around the potential gaming space that could make its patent portfolio easier to license or more valuable to any number of potential licensees in the entertainment vertical. With the Company's financing now complete, Versus can proceed to prosecute additional patents, develop new technologies, and become a part of the large, and growing e-sports marketplace.

Overall Performance and Results of Operations

Three Month Period Ended June 30, 2016

During the three month period ended June 30, 2016 (the "Current Quarter"), the Company incurred a loss and comprehensive loss of \$1,450,565 compared to \$261,411 for the three month period ended June 30, 2015 (the "Comparative Quarter"). Operating expenses for the Current Quarter were \$905,029 compared to \$261,717 for the Comparative Quarter which represented an overall increase of \$643,312 or 246%. The primary reasons for this increase were additional professional fees, consulting fees and the payment of a finder's fee in connection with the acquisition of Versus LLC. In addition, the issuance of performance warrants to certain newly appointed members of management resulted in an increase in share-based compensation expense.

The Company also recorded an impairment of exploration and evaluation assets for \$569,552 after it discontinued its Firebag Property option agreement.

Six Month Period Ended June 30, 2016

During the six month period ended June 30, 2016 (the "YTD Period"), the Company incurred a loss and comprehensive loss of \$1,654,613 compared to \$389,274 for the six month period ended June 30, 2015 (the "Comparative YTD Period"). Operating expenses for the YTD Period were \$1,109,490 compared to \$390,470 for the Comparative YTD Period which represented an overall increase of \$719,020 or 184%. The primary reasons for this increase were additional professional fees, consulting fees and the payment of a finder's fee in connection with the acquisition of Versus LLC. In addition, the issuance of performance warrants to certain newly appointed members of management resulted in an increase in share-based compensation expense.

The Company also recorded an impairment of exploration and evaluation assets for \$569,552 after it discontinued its Firebag Property option agreement.



Summary of Quarterly Results

The following table sets out selected unaudited financial information for the eight most recent quarters. The financial data has been prepared in accordance with IFRS.

Three Months Ended	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	(\$)	(\$)	(\$)	(\$)
Total Revenue	-	-	-	-
Other Income	150	413	588	4,269
Loss from Operations	(905,029)	(204,461)	(359,901)	(151,080)
Loss and Comprehensive Loss Basic and Diluted Loss per Share	(1,450,565) (0.03)	(204,048) (0.01)	(359,313) (0.01)	(146,811) (0.00)

Three Months Ended	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	(\$)	(\$)	(\$)	(\$)
Total Revenue	-	-	-	-
Other Income	306	890	981	813
Loss from Operations	(261,717)	(128,751)	(182,747)	(62,100)
Loss and Comprehensive Loss Basic and Diluted Loss per Share	(261,411) (0.01)	(127,861) (0.00)	(241,766) (0.02)	(61,287) (0.00)

Note 1: There were no material variations in the results of the Company over the prior eight reporting periods with the exception of the following:

- During the three month period ended June 30, 2016, the loss for the period increased due to the professional fees, consulting fees and a finder's fee incurred in connection with the acquisition of Versus LLC. In addition, the Company also recorded an impairment of exploration and evaluation assets for \$569,552 after it discontinued its Firebag Property option agreement.
- During the three month period ended December 31, 2015, the Company recorded reclamation expense of \$78,430 on the Tashota Nipigon Property.
- During the three month period ended December 31, 2014, the Company recorded a \$60,000 loss on the settlement of debt.

Note 2: Other Income consists of royalty income earned from an oil well and the gain on disposal of some petroleum equipment.



Liquidity and Capital Resources

The Company had cash of \$2,468,786 and working capital of \$1,960,513 as at June 30, 2016, compared to a cash position of \$22,806 and a working capital deficiency of \$243,028 as at December 31, 2015. The improvement in both the Company's cash position and working capital was a direct result of the unit private placement completed in June 2016 and the exercise of share purchase warrants in the period.

Financing activities

On June 30, 2016, the Company 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.

During the six month period ended June 30, 2016, a total of 6,349,999 share purchase warrants were exercised at \$0.12 per share for aggregate proceeds of \$762,000.

During the year ended December 31, 2015, the Company received gross proceeds of \$1,205,000 from a private placement wherein it issued 12,050,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one share purchase warrant that 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.

The Company has also accessed additional cash through the issuance of unsecured notes payable. The notes bear interest at 10% per annum and mature three years from the date of issuance. These notes were all repaid during the six month period ended June 30, 2016.

Selected Annual Information

The following table sets out selected financial information for the Company for each of the fiscal years ended December 31, 2015, 2014 and 2013. The selected annual information should only be read in conjunction with the Company's audited annual financial statements for the fiscal years ended December 31, 2015, 2014 and 2013 including the notes thereto.

Statement of Operations, Comprehensive Loss and Deficit Data:

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
	(\$)	(\$)	(\$)
Revenue	-	-	-
Other income	6,053	3,958	5,316
Loss from operations	(901,449)	(289,666)	(119,270)
Loss and comprehensive loss	(895,396)	(345,708)	(113,954)
Loss per share, basic and diluted	(0.03)	(0.03)	(0.01)



Selected Annual Information

Balance Sheet Data:

	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
	(\$)	(\$)	(\$)
Current Assets	42,460	14,793	4,669
Total Assets	957,382	165,614	4,669
Current Liabilities	285,488	328,702	563,012
Long Term Debt	236,000	-	-
Shareholders' Equity (Deficiency)	435,894	(163,088)	(558,343)

Exploration Property Overview

Firebag River Property, Alberta, Canada

On September 23, 2014, the Company entered into a property option agreement with 877384 Alberta Ltd. and Declan Resources Inc., a corporation that shares management in common, to acquire a 70% interest in the Firebag River Property located southwest of the Athabasca Basin in Alberta, Canada. The Company considers the property to be significantly prospective and underexplored. It consists of five metallic and industrial mineral permits encompassing approximately 19,123 ha. It is west of Fission Uranium Patterson Lake South ("PLS") uranium occurrence, and about 30 km south of the southernmost mapped margin of the basin. It also lies adjacent to the east of the Athabasca Minerals silica sand project.

The terms of the option agreement require the following:

	Common Shares	Cash (\$)	Exploration Work Commitments (\$)
Upon stock exchange approval of agreement (paid and issued)	2,000,000	50,000	-
November 22, 2014 ⁽¹⁾	-	-	150,000
June 2, 2015 (paid)	-	156,527	-
September 2, 2016 ⁽²⁾	1,000,000	100,000	-
November 22, 2016	-	-	150,000
March 2, 2017 ⁽²⁾	1,000,000	100,000	-
Total	4,000,000	406,527	300,000



Exploration Property Overview (continued)

- (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 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.

Tashota Nipigon Property, Ontario

The Tashota Nipigon mine was acquired by Versus' predecessor company ("Tashota Nipigon Mines Ltd.") in 1939. The mine produced in the 1930s and was further explored in the 1960s. The Ontario Ministry of Northern Development and Mines conducted a baseline inspection of the Tashota Nipigon mine site in October, 2014. The Company was advised by the Ontario Ministry of Northern Development and Mines that the Tashota Nipigon mine site required further reclamation to meet current rehabilitation standards under the Ontario Mining Act and Mine Rehabilitation Code. The Company retained consultants to work with the Ontario Ministry of Northern Development and Mines to finalize the reclamation plan and have the on-site work completed in accordance with regulatory requirements. The Company estimates the reclamation work will be completed in the second half of 2016 at a cost of approximately \$78,430.

Subsequent to June 30, 2016, the Company disposed of its interest in the Tashota Nipigon mine in exchange for the vendor assuming the decommissioning liability associated with the property.

As at the Report Date, the Company no longer has any financial or ownership interests in any exploration and evaluation assets.

Transactions with Related Parties

The following summarizes the Company's related party transactions, not disclosed elsewhere in these 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.



Transactions with Related Parties (continued)

Key Management Personnel

	2016	2015
	(\$)	(\$)
Stock-based compensation paid to Matthew Pierce, CEO of the Company, in the form of performance warrants.	202,928	-
Stock-based compensation paid to John O'Connell, 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 Brandon Boddy, a former director of the Company.	60,000	60,000
Consulting fees paid or accrued to a corporation controlled by David Hughes, former CFO of the Company.	7,000	6,000
Interest paid or accrued to two corporations controlled by Wayne Tisdale, 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 Gerald Tuskey, a former director of the Company.	-	12,478
Office sharing and occupancy costs paid or accrued to a corporation which David Hughes, former CFO of the Company, is a director.	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 Wayne Tisdale, 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 David Hughes, 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 Brandon Boddy, a director of the Company, and a corporation controlled by Brandon Boddy for consulting fees and reimbursable expenses.
- d) At June 30, 2016, a total of \$2,559 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to Matthew Pierce, CEO of the Company, for reimbursable expenses.



Transactions with Related Parties (continued)

- e) At June 30, 2016, a total of \$22,183 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to Originate Inc., a corporation that shares management in common with the Company, 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 Wayne Tisdale, former CEO of the Company.
- g) At June 30, 2016, a total of \$Nil (December 31, 2015 - \$7,577) was included in accounts payable and accrued liabilities owing to 0658039 BC Ltd., a corporation that previously shared management in common with the Company, for office sharing and occupancy costs.

Off Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements or transactions.

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.

Disclosure of Outstanding Share Data

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.

Shares Issued and Outstanding

As at the Report Date, there are 63,101,015 common shares and 5,057 Class "A" shares, Series 1 issued and outstanding.



Disclosure of Outstanding Share Data (continued)

Warrants

As at the Report Date, there are share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price
		(\$)
June 30, 2018	10,080,000	0.40
February 27, 2020	12,050,000	0.15
	22,130,000	0.26

Performance Warrants

As at the Report Date, there are 10,003,776 performance warrants outstanding at \$0.25 per share until June 30, 2021. They are subject to vesting provisions based on the earlier of performance and time.

Stock Options

As at the Report Date, there are 6,288,971 stock options outstanding at \$0.27 per share until July 13, 2021. They are subject to varied vesting provisions.

Escrow

As at the Report Date, 5,000 common shares of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

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.

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.



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, receivables, restricted deposits, accounts payable and accrued liabilities and notes payable.

The Company classified its cash, receivables, 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.

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.



Financial Instruments and Risk Management (continued)

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).

Management's Responsibility for Financial Statements

The Company's management is responsible for the preparation and presentation of the consolidated financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

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.



Risks and Uncertainties

Versus is publicly traded development stage company in the technology sector and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include, but are not limited to, the following:

Limited Operating History

The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenue and the risk that it will not achieve its growth objective. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements. To date, Versus has had no revenues. Even if the Company does achieve profitability, it cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, it may be unable to continue its business.

Regulatory Risks

The activities of the Company will be subject to intense regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale and use of its products and services. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The business of the Company is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Company.

The Company's prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. Video game, online gaming, e-sports and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing. Failure to follow regulatory requirements will have a detrimental impact on the business. Changes in legislation cannot be predicted and could irreparably harm the business.

Changes in Laws, Regulations and Guidelines

The Company's operations will be subject to a variety of laws, regulations and guidelines relating to the offering of prize-based tournaments including laws and regulations relating to e-sports, online gaming and gambling. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The Company may face legal action from a state or other jurisdiction for engaging in activity that is illegal in that state or jurisdiction by way of its website.



Risks and Uncertainties (continued)

Failure to Retain Existing Users or Add New Users

The size of the Company's users' level of engagement are critical to the Company's success. The Company's financial performance will be significantly determined by its success in having its products adding, retaining, and engaging active users. To the extent that the Company's active user growth rate slows, its business performance will become increasingly dependent on its ability to increase levels of user engagement in current and new markets. If people do not perceive the Company's products to be useful, reliable, and trustworthy, the Company may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A decrease in user retention, growth, or engagement could render the The Company less attractive to video game publishers and developers which may have a material and adverse impact on the Company's revenue, business, financial condition, and results of operations. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with competing products;
- the Company fails to introduce new and improved products or if The Company introduces new products or services that are not favorably received;
- the Company is unable to successfully balance its efforts to provide a compelling user experience with the decisions made by the Company with respect to the frequency, prominence, and size of ads and other commercial content that the Company displays;
- there are changes in user sentiment about the quality or usefulness of the Company's products or concerns related to privacy and sharing, safety, security, or other factors;
- the Company is unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- there are adverse changes in the Company's products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent the Company from delivering its products in a rapid and reliable manner or otherwise affect the user experience;
- the Company adopts policies or procedures related to areas such as sharing its user data that are perceived negatively by its users or the general public;
- the Company fails to provide adequate customer service to users, developers, or advertisers; or
- the Company, its software developers, or other companies in its industry are the subject of adverse media reports or other negative publicity.

If the Company is unable to build and/or maintain relationships with publishers and developers, the Company's revenue, financial results, and future growth potential may be adversely affected.

Lack of Demand

A failure in the demand for the Company's products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.



Risks and Uncertainties (continued)

Reliance on Management and Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Competition

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Rapid Technological Change

The business of the Company is subject to rapid technological changes. Failure to keep up with such changes may adversely affect the business of the Company.

The market in which the Company competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. Accordingly, the Company's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its service in response to competitive service and product offerings and evolving demands of the marketplace. The failure of the Company to adapt to such changes would have a material adverse effect on the Company's business, results of operations and financial condition. Additionally, there can be no assurances that the Company will be able to successfully introduce and integrate its technologies so as to implement its business strategy.

Online Commerce Security Risks

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by the Company to protect customer transaction data. If any such compromise of the Company's security were to occur, it could have a material adverse effect on the Company's reputation and, therefore, on its business, results of operations and financial condition. Furthermore, a party who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in the Company's operations. The Company may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement.



Additional Information

In connection with the closing of the business acquisition of Versus LLC, the Company undertook a complete change of its Board of Directors and senior management. Matthew Pierce, Brian Tingle, Michelle Gahagan, Paul Vlasic and Keyvan Peymani were appointed to the board to replace Brandon Boddy, David Hughes, Wayne Tisdale, Michael Curtis and Gerald Tuskey. Concurrently, Matthew Pierce and Craig Finster replaced Wayne Tisdale and David Hughes as the CEO and CFO, respectively.

The Company changed its name from Opal Energy Corp. to Versus Systems Inc. and began trading on the CSE under the new trading symbol "VS".

Additional information relating to the Company is available on the Company's website at www.versusystems.com and under the Company's profile on SEDAR at www.sedar.com.

Corporate Information

Directors:	Matthew Pierce Brian Tingle Michelle Gahagan Paul Vlasic Keyvan Peymani
Officers:	Matthew Pierce, CEO Craig Finster, CFO Leah Martin, Corporate Secretary
Auditor:	Davidson and Company LLP Chartered Professional Accountants Suite 1200 – 609 Granville Street Vancouver, BC, V7Y 1G6
Legal Counsel:	AFG Law LLP Suite 605 815 Hornby Street Vancouver, BC, V6Z 2E6
Transfer Agent:	Computershare Trust Company of Canada 2 nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

Contact Information

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