VERSUS SYSTEMS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

SIX MONTH PERIOD ENDED

JUNE 30, 2017

REPORT DATE – AUGUST 15, 2017

Introduction

Versus Systems Inc. ("Versus" or 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" and on the OTCQB market under the trading symbol "VRSSF". 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, 2017. The following discussion and analysis should be read in conjunction with the Company's condensed interim consolidated financial statements for the six month period ended June 30, 2017 and the audited consolidated financial statements for the years ended December 31, 2016 and 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%.

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.

On November 22, 2016, the Company acquired an additional 500 shares of Newco from one of the Selling Members in exchange for 1,441,553 common shares of the Company and 720,766 share purchase warrants that are exercisable at $0.20 per share until July 24, 2019. The common shares and the share purchase warrants were determined to have a fair value of $230,648 and $75,600, respectively. As a result, the Company increased its ownership interest in Newco to 43.7%.

<u>About Versus LLC</u>

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.

Business Combination with Versus LLC (continued)

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 currently available only in a closed-beta game and as such, Versus has never generated any revenue from operations.

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.

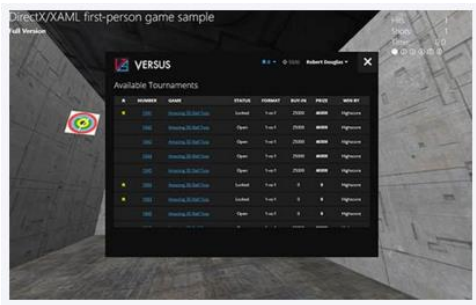
Discussions with potential publisher/developer partners have contemplated a revenue-sharing model that will allow Versus to receive approximately 2%, on average, of the top-line buy-in amount for matches where real money is the prize, 10%, on average, of the top-line buy-in amount for matches where CPG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

Business Combination with Versus LLC (continued)

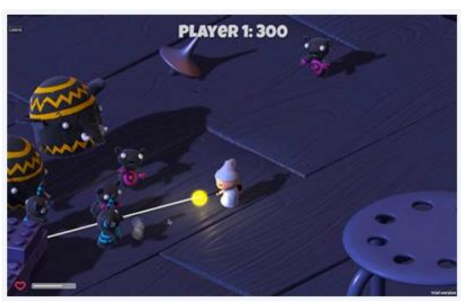
Demo Examples

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 overlayed webviews (not integrated directly into the game);
- Built on windows platform for PC and Xbox.

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.

Business Combination with Versus LLC (continued)

Overview of the Industry

According to a Newzoo 2015 Global Games Report, the video game industry is over a $100 billion 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.

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.

Recent Business Developments and Milestones

Partnership with 704Games

In August 2017, the Company announced that 704Games is working with Versus' prizing and promotions platform to provide players with opportunities for in-game prizing and real-world rewards in their upcoming titles on mobile and console. In spring 2017, 704Games released Nascar Heat Mobile, the first authentic Nascar racing game on mobile to feature 40 stock cars racing simultaneously. 704Games also recently announced the upcoming release of Nascar Heat 2, which will be available on Xbox One, Playstation 4 and PC.

"We think this can be a great way to bring new, exciting engagement to our games and also blend in the wide range of sponsors across the sport," said Ed Martin, president of 704Games. "We're looking forward to working with Versus to see how we can use our games to bring this to the fans."

Closed Beta Program

On June 1, 2017, Versus launched phase 1 of the Company's closed beta program to users who register through its website. Players everywhere have a chance to compete for real-world prizes from brands including Tier 1, Han Cholo and more.

Rockstar Partnership

In March 2017, the Company announced that it has partnered with Rockstar Inc., manufacturers of Rockstar energy drink, to expand the Versus in-game prize offerings for video gamers. Players will compete in game for exclusive access to Rockstar events, apparel and branded products.

Devil's Third Online – System Integration

In January 2017, the Company announced that the Versus proprietary prizing platform will be integrated into Valhalla Games Studios International Ltd.'s Devil's Third Online ("DTO"), currently in development as a free-to-play (F2P) launch for PC.

Through its wholly owned subsidiary, VN, Valhalla Games Studios will release an MMO (massively multiplayer on-line) version of Devil's Third on the PC, Devil's Third Online, utilizing an in-game-purchase revenue model. DTO is a large-scale game that features a permanent world that can support thousands of players interacting with each other in real time.

U.S. Patent Filings

Versus has filed multiple patent claims with the U.S. Patent and Trademark Office to expand upon its existing portfolio of prizing, promotion and financial technologies that enable brands to reach the rapidly growing competitive gaming audience of players, spectators and broadcasters.

The Versus patent claims, extending and expanding on claims filed in the United States in 2014 and internationally through the patent co-operation treaty in 2015, describe a system that seeks to match competitive game players and spectators with prizing from their favourite brands through a unique conditional prize matching system.

Recent Business Developments and Milestones (continued)

Han Chollo Partnership

Versus has signed an agreement with leading lifestyle brand Han Cholo to provide prizes for players and spectators participating in Versus-enabled video games. This prizing partnership will provide video game developers and publishers the ability to offer their players unique prizes, jewellery and accessories for participating in competitive matches of their games.

Han Cholo is the creator of it accessories for fashionistas, celebrities and gamers alike -- fans include Kendrick Lamar, Brad Pitt, Miley Cyrus, the Yeah Yeah Yeahs, Snoop Dogg and Daft Punk. Founder and chief executive officer Brandon Schoolhouse has developed accessories for Star Wars, Xbox, Metal Gear Solid, Sonic the Hedgehog and recently made a Voltron ring that was featured in the movie Deadpool.

Tier 1 Accessories Partnership

Versus has signed an agreement with innovative gaming accessories and licensed collectables manufacturer Tier1 Accessories to provide prizes for players and spectators participating in Versus-enabled video games. This prizing partnership will provide video game developers and publishers the ability to offer their players unique accessories, peripherals and licensed products.

Tier1 Accessories designs, develops, manufactures and markets performance-enhancing gaming peripherals and licensed collectables. An innovation leader in the industry, Tier1 represents the pinnacle of design sensibility and utility, providing gamers from novice to pro the tools they need to perform beyond their typical skill thresholds.

Overall Performance and Results of Operations

Three Month Period Ended June 30, 2017

During the three month period ended June 30, 2017 (the "Current Quarter"), the Company incurred a loss attributable to shareholders for the period of $1,131,717 compared to $1,474,431 for the three month period ended June 30, 2016 (the "Comparative Quarter"). Operating expenses for the Current Quarter were $1,962,258 compared to $905,029 for the Comparative Quarter which represented an overall increase of $1,057,229 or 117%. The primary reason for this was the inclusion of the Versus LLC operating expenses after the completion of the acquisition on June 30 2016. These additional costs included not only salaries and administrative costs but also certain non-cash items such as amortization of intangible assets and share-based compensation expense associated with performance warrants and stock options issued to management and employees of Versus LLC which vested during the Current Quarter.

Six Month Period Ended June 30, 2017

During the six month period ended June 30, 2017 (the "Current Period"), the Company incurred a loss attributable to shareholders for the period of $3.433.510 compared to $1,678,479 for the six month period ended June 30, 2016 (the "Comparative Period"). Operating expenses for the Current Period were $3,434,660 compared to $1,109,490 for the Comparative Period which represented an overall increase of $2,325,170 or 210%. The primary reason for this change was the inclusion of the Versus LLC operating expenses after the completion of the acquisition on June 30 2016. These additional costs included not only salaries and administrative costs but also certain non-cash items such as amortization of intangible assets and share-based compensation expense associated with performance warrants and stock options issued to management and employees of Versus LLC which vested during the Current Period.

Summary of Quarterly Results

The following table sets out selected unaudited financial information for the eight most recent quarters.

Three Months Ended	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
	($)	($)	($)	($)
Total Revenue	-	-	-	-
Other Income	892	258	460	433
Loss from Operations	(1,962,258)	(1,472,402)	(1,779,600)	(1,618,636)
Loss attributable to shareholders	(1,131,717)	(869,510)	(747,933)	(1,210,372)
Loss attributable to non-controlling interest	(829,649)	(602,634)	(1,055,073)	(329,401)
Loss for the period	(1,961,366)	(1,472,144)	(1,803,006)	(1,539,773)
Basic and Diluted Loss per Share	(0.03)	(0.02)	(0.03)	(0.03)

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 attributable to shareholders	(1,450,565)	(204,048)	(359,313)	(146,811)
Loss attributable to non-controlling interest	-	-	-	-
Loss for the period	(1,450,565)	(204,048)	(359,313)	(146,811)
Basic and Diluted Loss per Share	(0.03)	(0.01)	(0.01)	(0.00)

Note 1: Material variations that occurred during the reporting periods presented include:

a) During the three month period ended December 31, 2016, the loss for the period increased due to the inclusion of amortization of the intangible assets of Versus LLC.

b) During the three month period ended September 30, 2016, the loss for the period increased due to the inclusion of operating costs in Versus LLC.

c) 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.

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 $1,033,680 and working capital of $795,873 as at June 30, 2017, compared to a cash position of $1,210,400 and working capital of $925,865 as at December 31, 2016. During the six month period ended June 30, 2017, the Company experienced a cash outflow from operations of $1,625,988 which lowered both the Company's cash position and working capital.

The Company's continuation as a going concern is dependent upon its ability to ultimately attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

Financing activities

On March 17, 2017, the Company completed a non-brokered private placement wherein it issued 8,000,000 units at $0.25 for gross cash proceeds of $2,000,000. Each unit was comprised of a common share in the capital of the Company and a common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.40 for a period of five years from the date of closing.

During the six month period ended June 30, 2017, a total of 626,000 share purchase warrants were exercised for aggregate proceeds of $125,400.

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 year ended December 31, 2016, a total of 7,216,666 share purchase warrants were exercised for aggregate proceeds of $892,000.

Selected Annual Information

The following table sets out selected financial information for the Company for each of the fiscal years ended December 31, 2016, 2015 and 2014. The selected annual information should only be read in conjunction with the Company's audited annual financial statements for those fiscal years, including the notes thereto.

Statement of Operations, Comprehensive Loss and Deficit Data:

	Year Ended December 31, 2016	**Year Ended December 31, 2015**	**Year Ended December 31, 2014**
	($)	**($)**	**($)**
Revenue	-	-	-
Other income	1,456	6,053	3,958
Loss from operations	(4,507,726)	(901,449)	(289,666)
Loss and comprehensive loss	(4,997,392)	(895,396)	(345,708)
Loss per share, basic and diluted	(0.10)	(0.03)	(0.03)
- Attributable to shareholders	(0.07)	(0.03)	(0.03)
- Attributable to NCI	(0.03)	-	-

Selected Annual Information (continued)

Balance Sheet Data:

	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
	($)	($)	($)
Current Assets	1,253,894	42,460	14,793
Total Assets	6,662,314	957,382	165,614
Current Liabilities	328,029	285,488	328,702
Long Term Debt	-	236,000	-
Non-Controlling Interest	1,615,397	-	-
Shareholders' Equity (Deficiency)	4,718,888	435,894	(163,088)

Transactions with Related Parties

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, 2017 and 2016. 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

	2017	2016
	($)	($)
Short-term employee benefits paid or accrued to Matthew Pierce, CEO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	503,850	202,928
Short-term employee benefits paid or accrued to John O'Connell, a member of the advisory board of the Company, including share-based compensation vested for incentive stock options and performance warrants.	198,177	-
Short-term employee benefits paid or accrued to Scott Sebelius, Vice President of Product and Engineering of the Company, including share-based compensation vested for incentive stock options and performance warrants.	182,323	50,731
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	33,976	-
Consulting fees paid or accrued to a corporation controlled by Brandon Boddy, a former director of the Company.	-	60,000
Consulting fees paid or accrued to a corporation controlled by David Hughes, former CFO of the Company.	-	7,000
Interest paid or accrued to two corporations controlled by Wayne Tisdale, former CEO of the Company.	-	93,747
Total	918,326	34,000

Transactions with Related Parties (continued)

Other Related Party Payments

Office sharing and occupancy costs of $30,000 (2016 - $30,000) were paid or accrued to a corporation which David Hughes, former CFO of the Company, is a director.

Amounts Outstanding

a) At June 30, 2017, a total of $4,200 (December 31, 2016 - $4,200) was included in accounts payable and accrued liabilities owing to a corporation controlled by David Hughes, former CFO of the Company, for consulting fees.

b) At June 30, 2017, a total of $22,380 (December 31, 2016 - $22,380) was included in accounts payable and accrued liabilities owing to Brandon Boddy, a former director of the Company, for consulting fees and reimbursable expenses.

c) At June 30, 2017, a total of $53,479 (December 31, 2016 - $67,797) was included in accounts payable and accrued liabilities owing to the Matthew Pierce, CEO of the Company, for accrued bonuses and reimbursable expenses.

d) At June 30, 2017, a total of $19,535 (December 31, 2016 - $40,401) was included in accounts payable and accrued liabilities owing to John O'Connell, a member of the advisory board of the Company, for accrued bonuses.

e) At June 30, 2017, a total of $13,023 (December 31, 2016 - $26,934) was included in accounts payable and accrued liabilities owing to the Scott Sebelius, Vice President of Product and Engineering of the Company, for accrued bonuses.

f) At June 30, 2017, a total of $448 (December 31, 2016 - $2,279) 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.

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 74,135,235 common shares and 5,057 Class "A" shares, Series 1 issued and outstanding.

Disclosure of Outstanding Share Data

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.

Warrants

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

Expiry Date	Warrants Outstanding	Exercise Price
		($)
June 30, 2018	9,954,000	0.40
June 24, 2019	720,766	0.20
February 27, 2020	10,583,333	0.15
March 17, 2022	8,000,000	0.40
	29,258,099	0.30

Stock Options

As at the Report Date, there are stock options outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price
		($)
July 13, 2021	6,020,471	0.27
March 16, 2022	908,000	0.44
May 18, 2022	158,000	0.49
	7,086,471	0.29

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.

Pursuant to an escrow agreement dated June 30, 2016, 12,431,791 common shares will be held in escrow. A total of 10% of the escrow shares were released on June 30, 2016, and the remainder will be released in equal tranches of 15% every six months thereafter. As at June 30, 2017, there were 7,459,075 common shares remaining in escrow.

Off Balance Sheet Arrangements

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

Commitments

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.

Year	Amount
	($)
2017	30,000
2018	35,000

On August 19, 2016, the Company entered into a rental agreement for office space. Under the terms of the agreement the Company will pay $7,180 (US$5,278) per month commencing on October 1, 2016 until August 31, 2017.

Year	Amount	
	($)	(US$)
2017	6,874	5,278

Subsequent Events

Subsequent to June 30, 2017, the Company issued 100,000 common shares pursuant to the exercise of share purchase warrants at a price of $0.40 per share for total proceeds of $40,000.

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 – Classification and Measurement

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement.*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

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

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

IFRS 2, Share-based Payment

Amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions.

IFRS 4, Insurance Contracts

Amendments to IFRS 4 are related to the adoption of IFRS 9, *Financial Instruments*. The amendments provide two options for entities that issue insurance contracts that fall within the scope of the standard.

IFRS 7, Financial Instruments: Disclosures

Amendments to IFRS 7 related to the application of IFRS 9, *Financial Instruments*.

IAS 40, Investment Property

Amendments to IAS 40 to clarify transfers of property to, or from, investment property.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRIC 22 is a new interpretation, which clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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 new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the balance sheet.

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

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

IFRS 17, Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

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

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.

The Company classified its cash, GST receivable, restricted deposits and advances as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The fair value of cash, GST receivable, accounts payable and accrued liabilities 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, 2017.

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 not sufficient to meet all financial liabilities currently outstanding and expected to be incurred over the next twelve months. Accordingly, the Company is exposed to 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, 2017 and December 31, 2016:

	June 30, 2017	**December 31, 2016**
	(US$)	**(US$)**
Cash	266,276	101,533
Accounts payable and accrued liabilities	(103,231)	(159,935)
	163,045	(58,402)

As at June 30, 2017, 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 $16,305 (December 31, 2016 - $5,480).

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.

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 period ended June 30, 2017.

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.

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)

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.

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.

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.

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)

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 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.

Risks and Uncertainties (continued)

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

On March 14, 2017, Avril Millar, author, director and strategic adviser, was appointed to the Company's advisory board. In her role as adviser to the board of directors, Ms. Millar will consult on overall business strategy, in particular, the advancement of Versus Systems Inc. into the European markets, and the development of prizing, advertising and promotion platforms.

Additional information relating to the Company is available on the Company's website at www.versussystems.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 Kelsey Chin, Corporate Secretary
Auditor:	Davidson and Company LLP Chartered Professional Accountants Suite 1200 – 609 Granville Street Vancouver, BC, V7Y 1G6
Legal Counsel:	USA Manatt Phelps and Phillips 11355 West Olympic Blvd Los Angeles, CA, 90064 Canada Borden Ladner Gervais LLP 1200 Waterfront Centre 200 Burrard Street Vancouver, BC, V7X 1T2
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