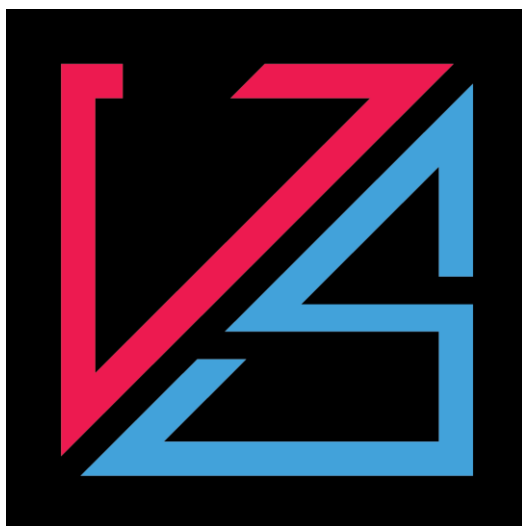


VERSUS SYSTEMS INC.



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

NINE MONTH PERIOD ENDED

SEPTEMBER 30, 2016

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

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

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	September 30, 2016 (\$)	December 31, 2015 (\$)
ASSETS		
Current assets		
Cash	1,957,204	22,806
GST receivable	4,410	6,057
Prepaid expenses	43,836	13,597
	2,005,450	42,460
Restricted deposits (Note 4)	11,500	-
Advance (Note 5)	-	346,000
Equipment (Note 6)	20,249	-
Exploration and evaluation assets (Note 8)	-	568,922
Intangible assets (Notes 7)	5,945,578	-
	7,982,777	957,382
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	236,207	191,556
Decommissioning liability (Note 11)	-	78,430
Current portion of notes payable (Note 10)	-	15,502
	236,207	285,488
Notes payable (Note 9)	-	236,000
	236,207	521,488
Equity		
Share capital (Note 12)		
Common shares	84,948,366	78,855,158
Class "A" shares	37,927	37,927
Share-based reserves (Note 12)	5,241,103	4,044,461
Deficit	(85,366,637)	(82,501,652)
	4,860,759	435,894
Non-controlling interest	2,885,811	-
	7,746,570	435,894
	7,982,777	957,382

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 18)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2016. They are signed on behalf of the Board of Directors by:

"Matthew Pierce"
Director

"Brian Tingle"
Director

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended September 30, 2016 (\$)	Three Month Period Ended September 30, 2015 (\$)	Nine Month Period Ended September 30, 2016 (\$)	Nine Month Period Ended September 30, 2015 (\$)
EXPENSES				
Amortization (Note 6)	1,294	-	1,294	-
Consulting fees (Note 13)	145,956	75,402	353,454	152,426
Finder's fee	-	-	250,000	-
Foreign exchange loss (gain)	5,929	-	25,391	(49)
General and administrative	54,890	58,420	226,339	84,859
Interest expense (Note 13)	-	3,175	-	6,234
Professional fees (Note 13)	125,778	33,856	268,243	55,254
Property investigation costs	-	5,682	-	6,350
Salaries and wages	328,240	-	328,240	-
Sales and marketing	47,490	182	78,523	396
Share-based compensation (Note 12)	909,059	85,000	1,196,642	85,000
Loss from operations	(1,618,636)	(261,717)	(2,728,126)	(390,470)
Other income	433	306	996	1,196
Dilution gain (Note 7)	-	-	23,866	-
Gain on disposal of exploration and evaluation asset	78,430	-	78,430	-
Impairment of exploration and evaluation asset (Note 8)	-	-	(569,552)	-
Loss and comprehensive loss for the period	(1,539,773)	(261,411)	(3,194,386)	(389,274)
Loss and comprehensive loss attributable to:				
Shareholders	(1,210,372)	(261,411)	(2,864,985)	(389,274)
Non-controlling interest	(329,401)	-	(329,401)	-
	(1,539,773)	(261,411)	(3,194,386)	(389,274)
Basic and diluted loss per common share:				
Shareholders	(0.02)	(0.01)	(0.06)	(0.01)
Non-controlling interest	(0.01)	-	(0.01)	-
Weighted average common shares outstanding	63,688,334	35,341,017	47,600,401	30,883,282

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

			<u>Share Capital</u>						
	Number of Common Shares	Number of Class "A" Shares	Common Shares	Class "A" Shares	Share-based Reserves	Deficit	Total Shareholders' Equity (Deficiency)	Non- controlling Interest	Total Equity (Deficiency)
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2014	21,291,017	33,713	77,440,274	37,927	3,964,967	(81,606,256)	(163,088)	-	(163,088)
Shares issued in private placement	12,050,000	-	1,205,000	-	-	-	1,205,000	-	1,205,000
Share issuance costs - cash	-	-	(80,116)	-	-	-	(80,116)	-	(80,116)
Shares issued for exploration and evaluation asset	2,000,000	-	260,000	-	-	-	260,000	-	260,000
Stock options granted	-	-	-	-	85,000	-	85,000	-	85,000
Loss for the period	-	-	-	-	-	(389,274)	(389,274)	-	(389,274)
Balance at September 30, 2015	35,341,017	33,713	78,825,158	37,927	4,049,967	(81,995,530)	917,522	-	917,522
Stock options granted	-	-	-	-	(5,506)	-	(5,506)	-	(5,506)
Shares issued for warrant exercise	249,999	-	30,000	-	-	-	30,000	-	30,000
Loss for the period	-	-	-	-	-	(506,122)	(506,122)	-	(506,122)
Balance at December 31, 2015	35,591,016	33,713	78,855,158	37,927	4,044,461	(82,501,652)	435,894	-	435,894
Acquisition of Versus LLC	-	-	-	-	-	-	-	3,215,212	3,215,212
Currency translation adjustment	-	-	-	-	-	-	-	-	-
Performance warrants issued	-	-	-	-	800,294	-	800,294	-	800,294
Shares issued for warrant exercise	7,116,666	-	877,000	-	-	-	877,000	-	877,000
Shares issued for finder's fee	1,000,000	-	250,000	-	-	-	250,000	-	250,000
Shares issued in private placement	20,160,000	-	5,040,000	-	-	-	5,040,000	-	5,040,000
Share issuance costs - cash	-	-	(73,792)	-	-	-	(73,792)	-	(73,792)
Stock options granted	-	-	-	-	396,348	-	396,348	-	396,348
Loss for the period	-	-	-	-	-	(2,864,985)	(2,864,985)	(329,401)	(3,194,386)
Balance at September 30, 2016	63,867,682	33,713	84,948,366	37,927	5,241,103	(85,366,637)	4,860,759	2,885,811	7,746,570

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

Versus Systems Inc.

(formerly Opal Energy Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Nine Month Period Ended September 30, 2016 (\$)	Nine Month Period Ended September 30, 2015 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(3,194,386)	(389,274)
Items not affecting cash:		
Accrued interest	-	6,234
Amortization	1,294	-
Dilution gain	(23,866)	-
Finder's fee	250,000	-
Foreign exchange loss	44,287	-
Gain on disposal of exploration and evaluation assets	(78,430)	-
Impairment of exploration and evaluation assets	569,552	-
Share-based compensation	1,196,642	85,000
Changes in non-cash working capital items:		
GST receivable	1,647	823
Prepaid expenses	(30,239)	(3,469)
Accounts payable and accrued liabilities	(99,828)	(96,278)
Cash used in operating activities	(1,363,328)	(396,964)
FINANCING ACTIVITIES		
Proceeds from notes payable	145,500	22,500
Proceeds from issuance of common shares	5,917,000	1,205,000
Repayment of notes payable	(397,002)	-
Share issuance costs	(73,792)	(74,624)
Cash provided by financing activities	5,591,706	1,152,876
INVESTING ACTIVITIES		
Advance to Versus, LLC	(327,651)	-
Cash acquired on acquisition of Versus, LLC	49,902	-
Exploration and evaluation expenditures	(630)	-
Investment in Versus, LLC	(1,962,722)	-
Purchase of equipment	(21,542)	-
Restricted deposit	(11,500)	(145,232)
Cash used in investing activities	(2,274,143)	(145,232)
Change in cash during the period	1,954,235	610,680
Effect of exchange rate changes on cash denominated in a foreign currency	(19,838)	-
Cash - Beginning of period	22,806	1,572
Cash - End of period	1,957,204	612,252

Supplemental Cash Flow Information (Note 17)

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)



1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

As at September 30, 2016, the Company had working capital of \$1,769,243, an accumulated deficit of \$85,366,637 and incurred a loss attributable to shareholders totaling \$2,864,985 for the period then ended. The Company has not earned revenue to date and has historically utilized the issuance of common shares to fund its operations, most recently an equity financing for gross proceeds of \$5,040,000. Accordingly, the Company presently has sufficient working capital to operate and continue development of its business for the next twelve months.

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

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

Basis of presentation

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

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

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

Basis of consolidation

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

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

Use of estimates and judgments

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

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

i) Deferred income taxes

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

ii) Share-based compensation

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**2. BASIS OF PRESENTATION (continued)****Use of estimates and judgments (continued)**

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

i) Determination of functional currency

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

ii) Carrying value and the recoverability of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's consolidated financial statements for the year ended December 31, 2015. However, some additional accounting policies have been adopted as a result of the business combination with Versus LLC (Note 7).

Business combinations

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

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated based on the estimated residual value and estimated economic life of the specific assets using the straight-line method over the period indicated below:

Computers	3 years
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VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**3. SIGNIFICANT ACCOUNTING POLICIES****Intangible assets excluding goodwill**

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

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

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

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

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

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

Impairment of intangible assets excluding goodwill

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

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

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**3. SIGNIFICANT ACCOUNTING POLICIES****Impairment of intangible assets excluding goodwill (continued)**

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

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.

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****New standards, amendments and interpretations to existing standards not yet effective (continued)**

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

IFRS 16, Leases

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

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

4. RESTRICTED DEPOSIT

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

5. ADVANCE

On December 2, 2015, the Company advanced \$335,875 (US\$250,000) to Versus LLC in accordance with a letter of intent ("LOI") that was executed on November 24, 2015.

6. EQUIPMENT

	Computers
	(\$)
Cost	
At December 31, 2015	-
Additions	21,542
At September 30, 2016	21,542
Accumulated amortization	
At December 31, 2015	-
Amortization for the period	1,293
At September 30, 2016	1,293
Carrying amounts:	
At December 31, 2015	-
At September 30, 2016	20,249

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**7. BUSINESS COMBINATION WITH VERSUS LLC**

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

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

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

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

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

VERSUS SYSTEMS INC.

(formerly Opal Energy Corp.)

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

(Expressed in Canadian dollars)

(Unaudited)

**8. EXPLORATION AND EVALUATION ASSETS****Firebag River Property, Alberta**

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

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

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

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

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

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

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

On July 13 2016, the Company received CSE approval and completed a fundamental change of business in conjunction with its acquisition of Versus LLC (Note 7). Accordingly, the Company returned the Firebag River Property to Declan and recorded an impairment of exploration and evaluation assets of \$569,552.

Tashota Nipigon Mine, Ontario

The Company disposed of its interest in the Tashota Nipigon mine in exchange for the purchaser assuming all responsibility for future asset retirement obligations. As a result, the Company recorded a \$78,430 gain on disposal of exploration and evaluation asset.

VERSUS SYSTEMS INC.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	September 30, 2016	December 31, 2015
	(\$)	(\$)
Accounts payable	193,402	58,708
Due to related parties	42,305	132,623
Accrued liabilities	500	225
	<u>236,207</u>	<u>191,556</u>

10. NOTES PAYABLE

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

During the nine month period ended September 30, 2016, the Company issued additional unsecured notes payable under the same terms for total proceeds of \$141,500 and recorded \$Nil (2015 - \$3,059) as interest expense. The Company repaid all of the outstanding notes payable and accrued interest.

11. DECOMMISSIONING LIABILITY

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

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

On July 13, 2016 the Company disposed of its interest in the Tashota Nipigon mine (Note 8).

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

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

b) Issued share capital

During the nine month period ended September 30, 2016, the Company:

- i) issued 6,349,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$762,000.
- ii) issued 766,667 common shares pursuant to the exercise of share purchase warrants at a price of \$0.15 per share for total proceeds of \$115,000.
- iii) 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.
- iv) issued 1,000,000 common shares with a fair value of \$250,000 as a finder's fee in connection with the acquisition of Versus LLC.

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

- i) issued 2,000,000 common shares at a price of \$0.13 per share at value of \$260,000 to Declan Resources Inc. pursuant to the property option agreement (Note 8).
- v) issued 12,050,000 units at a price of \$0.10 per unit for total proceeds of \$1,205,000. Each unit consisted of one common share and one share purchase warrant wherein each warrant entitles the holder to purchase one common share at a price of \$0.15 until February 27, 2020. The Company recorded \$80,116 of share issuance costs in connection with this financing.
- vi) issued 249,999 common shares pursuant to the exercise of share purchase warrants at a price of \$0.12 per share for total proceeds of \$30,000.

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

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

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

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

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Weighted Average Remaining Life (years)
July 13, 2021	6,020,471	1,433,490	0.27	4.79

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2014	-	-
Granted	950,000	0.10
Balance – December 31, 2015	950,000	0.10
Granted	6,288,971	0.27
Cancelled	(1,218,500)	0.14
Balance – September 30, 2016	6,020,471	0.27

During the nine month period ended September 30, 2016, a total of 950,000 stock options were cancelled. These options were originally granted with a fair value of \$79,494. These options were fully vested on the grant date, and accordingly the Company expensed \$79,494 as share-based compensation during the year ended December 31, 2015.

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

Risk-free interest rate	0.98%	Expected dividend yield	Nil
Expected life of options	5 years	Forfeiture rate	Nil
Volatility	123.7%	Weighted average fair value	\$0.08

During the nine month period ended September 30, 2016, the Company granted a total of 6,288,971 stock options with a fair value of \$1,171,530. These options are subject to varied vesting provisions, and a total of 268,500 options were cancelled prior to vesting. The Company expensed \$396,348 as share-based compensation during the nine month period ended September 30, 2016.

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

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

Risk-free interest rate	0.54%	Expected dividend yield	Nil
Expected life of options	5 years	Forfeiture rate	Nil
Volatility	90.0%	Weighted average fair value	\$0.19

d) Share purchase warrants

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

Expiry Date	Warrants Outstanding	Exercise Price (\$)	Weighted Average Remaining Life (years)
June 30, 2018	10,080,000	0.40	1.75
February 27, 2020	11,283,333	0.15	3.41
	21,363,333	0.27	2.63

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

	Number Outstanding	Weighted Average Exercise Price (\$)
Balance – December 31, 2014	6,599,998	0.12
Exercised	(249,999)	0.12
Issued	12,050,000	0.15
Balance – December 31, 2015	18,399,999	0.14
Exercised	(7,116,666)	0.12
Issued	10,080,000	0.40
Balance – September 30, 2016	21,363,333	0.27

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**12. SHARE CAPITAL AND RESERVES (continued)****e) Performance warrants (continued)**

On September 30, 2016, the Company issued 10,003,776 performance warrants with a fair value of \$1,725,496. These performance warrants vest over a period that is the earlier of achieving certain performance milestones or 33 months. During the nine month period ended September 30, 2016, the Company expensed \$800,294 as share-based compensation.

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

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

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

Expiry Date	Warrants Outstanding	Warrants Exercisable	Exercise Price (\$)	Weighted Average Remaining Life (years)
June 30, 2021	10,003,776	3,334,592	0.25	4.75

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**13. RELATED PARTY TRANSACTIONS**

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

Key Management Personnel

	2016	2015
	(\$)	(\$)
Short-term employee benefits paid or accrued to the CEO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	838,774	-
Short-term employee benefits paid or accrued to a member of the advisory board of the Company, including share-based compensation vested for incentive stock options and performance warrants.	244,962	-
Short-term employee benefits paid or accrued to the Vice President of Product and Engineering of the Company, including share-based compensation vested for incentive stock options and performance warrants.	178,112	-
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	15,842	70,000
Consulting fees paid or accrued to a corporation controlled by a former director of the Company.	65,000	90,000
Consulting fees paid or accrued to a corporation controlled by the former CFO of the Company.	7,000	9,000
Consulting fees and interest expense paid or accrued to two corporations controlled by the former CEO of the Company.	93,748	1,990
Total	1,443,438	170,990

Other Related Party Payments

	2016	2015
	(\$)	(\$)
Professional fees paid or accrued to a corporation controlled by a director of the Company.	-	12,478
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company.	45,000	49,000
Total	45,000	61,478

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**13. RELATED PARTY TRANSACTIONS (continued)**

- a) At September 30, 2016, a total of \$7,000 (December 31, 2015 - \$75,472) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CEO of the Company for reimbursable expenses.
- b) At September 30, 2016, a total of \$4,200 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CFO of the Company for consulting fees.
- c) At September 30, 2016, a total of \$27,630 (December 31, 2015 - \$49,574) was included in accounts payable and accrued liabilities owing to a former director and a corporation controlled by a former director of the Company for consulting fees and reimbursable expenses.
- d) At September 30, 2016, a total of \$2,621 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to the CEO for reimbursable expenses.
- e) At September 30, 2016, a total of \$854 (December 31, 2015 - \$Nil) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common for consulting fees and reimbursable expenses.
- f) At September 30, 2016, a total of \$Nil (December 31, 2015 - \$55,130) in notes payable and accrued interest was owing to two corporations controlled by the former CEO of the Company (Note 10).
- g) At September 30, 2016, a total of \$Nil (December 31, 2015 - \$7,577) was included in accounts payable and accrued liabilities owing to a corporation that previously shared management in common with the Company for office sharing and occupancy costs (Note 18).

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

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

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

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

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

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

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

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

Credit risk

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

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.

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

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

	September 30, 2016	December 31, 2015
	(US\$)	(US\$)
Cash	257,263	323
Accounts payable and accrued liabilities	(115,299)	(187)
	141,964	136

As at September 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 \$14,196 (December 31, 2015 - \$14).

15. 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 nine month period ended September 30, 2016.

16. GEOGRAPHICAL SEGMENTED INFORMATION

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

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**17. SUPPLEMENTAL CASH FLOW INFORMATION**

	September 30, 2016	September 30, 2015
	(\$)	(\$)
Non-cash investing and financing activities:		
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	-	1,801
Shares issued for acquisition of exploration and evaluation assets	-	260,000
Interest paid during the period	15,502	-
Income taxes paid during the period	-	-

18. COMMITMENTS AND CONTINGENCIES

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

Fiscal Year	Amount
	(\$)
2016	15,000
2017	60,000
2018	35,000