FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Versus Systems Inc. (the "Issuer").

Trading Symbol: VS

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

See Financial Statements for the three and six months ended March 31, 2019 attached as Schedule A.

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

All Related Party transactions, if any, have been disclosed in the Issuer's Financial Statements for the six months ended March 31, 2019 – see Schedule A.

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, have been disclosed in the Issuer's Financial Statements for the six months ended March 31, 2019 – see Schedule A.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

All securities issued and options granted, if any, have been disclosed in the Issuer's Financial Statements for the six months ended March 31, 2019 – see Schedule A.

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Authorized Share Capital	Issued and Outstanding	Options	Warrants

(1) 5,057 shares convertible into Common Shares at any time based on 6.67 Common Shares for each Class A share held.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Matthew Pierce	President, CEO and Director
Paul Vlasic	Director
Michelle Gahagan	Director
Brian Tingle	Director

Name	Position
Keyvan Peymani	Director and Executive Chairman of the Board
Craig Finster	CFO
Kelsey Chin	Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

See Management Discussion and Analysis for the six months ended March 31, 2019 attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated May 28, 2019.

Craig Finster
Name of Director or Senior Officer

/s/ "Craig Finster"
Signature

CFO
Official Capacity

Issuer Details Name of Issuer **Versus Systems Inc.**	For Quarter Ended **March 31, 2019**	Date of Report **2019/05/28**
Issuer Address **302 – 1620 West 8th Avenue**		
City/Province/Postal Code **Vancouver, B.C., V6J 1V4**	Issuer Fax No. **(604) 639-4458**	Issuer Telephone No. **(604) 639-4457**
Contact Name **Kelsey Chin**	Contact Position **Corporate Secretary**	Contact Telephone No. **(604) 639-4457**
Contact Email Address **Kchin@intrepidfinancial.ca**	Web Site Address www.versussystems.com	

SCHEDULE A

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

THREE MONTH PERIOD ENDED

MARCH 31, 2019

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.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	March 31, 2019 ($)	December 31, 2018 ($)
ASSETS		
Current assets		
Cash	74,665	34,000
Receivables	231,592	4,778
Prepaids and deposits	32,389	62,372
	338,646	101,150
Restricted deposit (Note 4)	11,500	11,500
Deposits	133,500	136,301
Equipment (Note 5)	1,420,697	59,110
Intangible assets (Note 7)	3,054,103	3,371,079
Total Assets	4,958,446	3,679,140
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	989,444	1,035,744
Lease Liability (Note 16)	300,907	-
Current liabilities	1,290,351	1,035,744
Non-current liabilities		
Lease liability (Note 16)	1,072,844	-
Notes payable (Note 9)	3,764,823	3,478,956
	6,128,018	4,514,700
Equity		
Share capital (Note 10)		
Common shares	93,360,134	91,723,017
Class "A" shares	37,927	37,927
Reserves (Note 10)	8,529,069	8,270,190
Deficit	(96,129,261)	(94,973,085)
	5,797,869	5,058,049
Non-controlling interest (Note 6)	(6,967,441)	(5,893,609)
Total Equity	(1,169,572)	(835,560)
Total Liabilities and Equity	4,958,446	3,679,140

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Subsequent event (Note 17)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2019. They are signed on behalf of the Board of Directors by:

"Matthew Pierce"	*"Brian Tingle"*
Director	Director

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

Versus Systems Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended March 31, 2019	Three Month Period Ended March 31, 2018
REVENUES		
Sales	222,499	-
EXPENSES		
Amortization (Note 5)	10,935	6,110
Amortization of intangible assets (Note 7)	864,111	703,898
Consulting fees	209,782	226,681
Foreign exchange loss	2,960	29,720
General and administrative	327,806	245,332
Interest expense	38,095	12,068
Professional fees	133,281	143,630
Salaries and wages	616,905	486,388
Sales and marketing	11,492	5,824
Share-based compensation (Note 10)	178,201	678,486
	(2,171,069)	(2,538,137)
Finance expense	(58,939)	(20,049)
Loss and comprehensive loss	(2,230,008)	(2,558,186)
Loss and comprehensive loss attributable to:		
Shareholders	(1,156,176)	(1,391,653)
Non-controlling interest	(1,073,832)	(1,166,533)
	(2,230,008)	(2,558,186)
Basic and diluted loss per common share:		
Shareholders	(0.01)	(0.02)
Non-controlling interest	(0.01)	(0.02)
Weighted average common shares outstanding	96,583,363	76,857,763

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

Versus Systems Inc.

Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

			Share Capital						
	Number of Common Shares	Number of Class "A" Shares	Common Shares	Class "A" Shares	Reserves	Deficit	Total Shareholders' Equity	Non-controlling Interest	Total Equity
			($)	($)	($)	($)	($)	($)	($)
Balance at December 31, 2017	76,758,895	33,713	88,302,958	37,927	6,922,770	(90,341,608)	4,922,047	(1,151,915)	3,770,132
Shares issued in private placement	2,999,000	-	899,700	-	-	-	899,700	-	899,700
Share issuance costs		-	(149,417)	-	-	-	(149,417)	-	(149,417)
Contribution benefit	-	-	-	-	213,411	-	213,411	-	213,411
Performance warrants issued	-	-	-	-	534,433	-	534,433	-	534,433
Stock options granted	-	-	-	-	144,053	-	144,053	-	144,053
Loss and comprehensive loss	-	-	-	-	-	(1,391,653)	(1,391,653)	(1,166,533)	(2,558,186)
Balance at March 31, 2018	79,757,895	33,713	89,053,241	37,927	7,814,667	(91,733,261)	5,172,574	(2,318,448)	2,854,126
Shares issued for warrant exercise	2,460,000	-	384,000	-	-	-	384,000	-	384,000
Shares issued in private placement	9,260,667	-	2,699,243	-	78,957	-	2,778,200	-	2,778,200
Share issuance costs	-	-	(413,467)	-	116,226	-	(297,241)	-	(297,241)
Contribution benefit	-	-	-	-	287,510	-	287,510	-	287,510
Performance warrants issued	-	-	-	-	(393,902)	-	(393,902)	-	(393,902)
Stock options granted	-	-	-	-	366,732	-	366,732	-	366,732
Loss and comprehensive loss	-	-	-	-	-	(3,239,824)	(3,239,824)	(3,575,161)	(6,814,985)
Balance at December 31, 2018	91,478,562	33,713	91,723,017	37,927	8,270,190	(94,973,085)	5,058,049	(5,893,609)	(835,560)
Shares issued in private placement	9,987,655		1,922,278	-	-	-	1,922,278	-	1,922,278.00
Share issuance costs			(285,161)	-	-	-	(285,161)	-	(285,161)
Contribution benefit				-	80,677	-	80,677	-	80,677
Warrants issued	-	-	-	-	94,371	-	94,371	-	94,371
Stock options granted	-	-	-	-	83,831	-	83,831	-	83,831
Loss and comprehensive loss	-	-	-	-	-	(1,156,176)	(1,156,176)	(1,073,832)	(2,230,008)
Balance at March 31, 2019	101,466,217	33,713	93,360,134	37,927	8,529,069	(96,129,261)	5,797,869	(6,967,441)	(1,169,572)

Versus Systems Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Month Period Ended March 31, 2019	Three Month Period Ended March 31, 2018
	($)	($)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(2,230,008)	(2,558,186)
Items not affecting cash:		
Amortization (Note 5)	10,935	6,110
Amortization of intangible assets (Note 7)	864,111	703,898
Finance expense	58,939	20,049
Accrued interest expense	38,095	14,698
Share-based compensation	178,202	678,486
Changes in non-cash working capital items:		
Receivables	(226,814)	3,713
Prepaids and deposits	32,784	16,930
Accounts payable and accrued liabilities	(83,166)	485,975
Cash used in operating activities	(1,356,922)	(628,327)
FINANCING ACTIVITIES		
Proceeds from notes payable	770,000	1,225,000
Repayment of notes payable	(462,395)	-
Proceeds from issuance of common shares	1,922,278	899,700
Share issuance costs	(285,161)	(149,417)
Cash provided by financing activities	1,944,722	1,975,283
INVESTING ACTIVITIES		
Development of intangible assets	(547,135)	(453,776)
Purchase of equipment	-	(2,676)
Cash used in investing activities	(547,135)	(456,452)
Change in cash during the year	40,665	890,504
Cash - Beginning of year	34,000	230,742
Cash - End of year	74,665	1,121,246

Supplemental Cash Flow Information (Note 15)

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. 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" and on the OTCQB market under the trading symbol "VRSSF".

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 consolidated financial statements, the Company has earned minimal revenues from operations and is considered to be in the development stage.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2019, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. The Company expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. 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. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

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, 2018, prepared in accordance with IFRS as issued by the IASB.

The Financial Statements are prepared on a going concern basis and have been presented in millions of Canadian dollars. The Financial Statements have been prepared using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the years ended December 31, 2018 and 2017 (the "2018 Annual Financial Statements"), except for the following new accounting pronouncement which was adopted on January 1, 2019.

2. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

IFRS 16 Leases ("IFRS 16"): This standard replaces IAS 17 Leases ("IAS 17") and IFRIC 4 Determining whether an arrangement contains a lease. IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below),

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognizes depreciation of right-of-use assets and interest expense on lease liabilities in the consolidated statements of income and comprehensive income;

c) Separates the total amount of cash pain into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has elected to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The Company reviewed its lease portfolio and adopted IFRS 16 on January 1, 2019 and has reassessed whether a contract is or contains a lease, therefore, the Company did not apply the practical expedient. Accordingly, the Company has applied the definition of a lease in IFRS 16 to all contracts outstanding at the date of transition using the cumulative catch –up method by recognizing a right-of-use asset at a value equal to the lease liability.

The adoption of IFRS 16 has resulted in an increase in the Company's property, plant, and equipment and an increase in lease obligations by $1,466,617 at January 1, 2019. Under the cumulative catch-up method, the comparative period has not been restated.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2019.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of Versus Systems Inc. and its subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Versus Systems (Holdco) Inc.	United States of America	41.3%	Holding Company
Versus LLC	United States of America	41.3%	Technology Company

Significant Accounting Judgments, Estimates and Assumptions

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 consolidated financial statements. Estimates and assumptions are continually evaluated and are based on historical experience and management's assessment of current events and other facts and circumstances that are considered to be relevant. 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

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

ii) Economic recoverability and probability of future economic benefits of intangible assets

Management has determined that intangible asset costs which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life.

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

iii) Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

iv) Depreciation and Amortization

The Company's intangible assets and equipment are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net loss, and comprehensive income (loss) in future periods.

Significant judgements that have the most significant effect on the amounts recognized in these financial statements include:

i) Determination of functional currency

The functional currency of the Company and its subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 52,979,385 (2018 – 42,292,326).

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:

Asset	Rate
Computers	Straight line, 3 years
Leasehold improvements	Shorter of useful life or lease term

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The following is the Company's policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by

the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
GST receivable	Loans and receivables	Amortized cost
Restricted deposit	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

As at March 31, 2019, the Company does not have any derivative financial assets and liabilities.

Revenue from contracts with customers

IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Company recognizes revenue upon delivery of the services to the customers.

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 3 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ("CGU") 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 CGU under review and other CGUs) are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where impairment losses subsequently reverse, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of impairment losses is recognized immediately in profit or loss.

Income taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax (continued)

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or lost, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Lessee accounting

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measure by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The company applies IAS 36, Impairment of Assets, to determine whether the asset is impaired and account for any identified impairment loss.

As a practical expedient, IFRS 15 permits a lease not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient, and accordingly allocates the consideration in the contract to lease and non-lease components based on the stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in the statements of income and comprehensive income.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interest is measured at the fair value of the non-controlling entity's contribution into the related subsidiary. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in the warrant reserve.

Share-based Compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Otherwise, share-based payments are measured at the fair value of goods or services received.

Foreign Exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company and its subsidiaries that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of profit or loss.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficiency) which results from transactions and events from sources other than the Company's shareholders. Net loss is the same as comprehensive loss for the years presented.

4. RESTRICTED DEPOSIT

As at March 31, 2019, restricted deposits consisted of $11,500 (2018 - $11,500) held in a guaranteed investment certificate as collateral for a corporate credit card.

(Expressed in Canadian dollars)

5. EQUIPMENT

	Computers ($)
Cost	
At December 31, 2017	76,256
Additions	38,483
At December 31, 2018	114,739
Additions	-
At March 31, 2019	**114,739**
Accumulated amortization	
At December 31, 2017	25,987
Amortization for the year	29,642
At December 31, 2018	**55,629**
Amortization for the period	10,935
At March 31, 2019	**66,564**
Carrying amounts	
At December 31, 2018	59,110
At March 31, 2019	**48,175**

The Company adopted IFRS as of January 1, 2019 as recorded a right of use asset of $1,372,522 within the equipment balance as of March 31, 2019.

6. BUSINESS COMBINATION WITH VERSUS LLC

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

On June 30, 2016, the Company and the Selling Members exchanged 100% of their ownership units in Versus LLC for 8,950.05 common shares of Opal Energy (Holdco) Corp. ("Newco"), since renamed Versus Systems (Holdco) Inc, 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%.

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 recorded a non-controlling interest related to the 58.7% interest held by the Selling Members in the net identifiable assets of Versus LLC.

In connection with the acquisition of Versus, LLC, the Company acquired intangible assets of $5,921,712 (Note 7).

(Expressed in Canadian dollars)

6. BUSINESS COMBINATION WITH VERSUS LLC (continued)

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 40.42% and recorded the excess purchase price over net identifiable assets of $90,908 against reserves. The effect on non-controlling interest was a reduction of $215,341, for a balance of $2,999,871.

On September 21, 2017, the Company acquired an additional 174 shares of Newco from one of the Selling Members in exchange for 501,660 common shares of the Company and 250,830 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. The common shares and the share purchase warrants were determined to have a fair value of $235,780 and $88,470, respectively. As a result, the Company increased its ownership interest in Newco to 41.3% and recorded the excess purchase price over net identifiable assets of $312,255 against reserves. The effect on non-controlling interest was a reduction of $11,995.

7. INTANGIBLE ASSETS

Intangible assets are comprised 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 intangible asset was acquired in the business combination with Versus LLC as described in Note 7. In addition, the Company continues to develop new apps, therefore additional cost were capitalized during the three month period ended March 31, 2019.

	Software
	($)
Cost	
At December 31, 2017	7,993,002
Additions	1,804,207
At December 31, 2018	9,797,209
Additions	547,135
At March 31, 2019	**10,344,344**
Accumulated amortization	
At December 31, 2017	3,461,095
Amortization	2,965,035
At December 31, 2018	6,426,130
Amortization	864,111
At March 31, 2019	**7,290,241**
Carrying amounts	
At December 31, 2018	3,371,079
At March 31, 2019	**3,054,103**

(Expressed in Canadian dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2019	December 31, 2018
	($)	**($)**
Accounts payable	309,370	431,292
Due to related parties	347,249	300,858
Accrued liabilities	332,825	303,594
	989,444	1,035,744

9. NOTES PAYABLE

During the three month period ended March 31, 2019, the Company issued unsecured notes payable for total proceeds of $770,000 from a director of the Company who is also a shareholder. The loans bear interest at the prime rate which was 3.95% at March 31, 2019, payable quarterly, and had a maturity date of three years from the date of issuance. The notes were considered below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $80,677 was recorded in reserves. As at Mach 31, 2018, the Company had recorded $38,095 in accrued interest which was included in accounts payable and accrued liabilities. The notes were originally recorded at $689,323 being the present value of future payments discounted at 10%. The Company recorded finance expense of $58,929 related to bringing the notes to their present value at March 31, 2019.

During the year ended December 31, 2018, the Company issued unsecured notes payable for total proceeds of CDN$2,780,000 (2017 - $900,000) from a director of the Company who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance. The notes are considered to be below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $452,566 (2017 - $156,843) was recorded in reserves.

During the year ended December 31, 2018, the Company issued unsecured notes payable for total proceeds of US$230,000 (2017 - $nil) from a director and officer of the Company who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance. The notes were considered to be below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $48,358 (2017 - $nil) was recorded in reserves.

As at December 31, 2018, the Company had recorded $80,299 (2017 - $2,635) in accrued interest which was included in accounts payable and accrued liabilities. The notes were originally recorded at $2,605,731 (2017 - $743,157) being the present value of future payments discounted at 10%. During the year ended December 31, 2018, the Company recorded finance expense of $125,903 (2017 - $4,165) related to bringing the notes to their present value.

(Expressed in Canadian dollars)

9. NOTES PAYABLE (continued)

	Amount
	($)
Balance, December 31, 2018	3,478,956
Proceeds	770,000
Repayments	(462,395)
Contribution benefit	(80,677)
Finance expense	58,939
Balance, March 31, 2019	**3,764,823**

10. 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 three month period ended March 31, 2019, the Company:

i) issued, 9,987,655 units at a price of $0.18 per unit for total proceeds of $1,797,778. Each unit consisted of one common share and a one common stock warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $0.30 until February 14, 2021.
ii) Collected $124,550 attributed to subscriptions received in advanced.

During the year ended December 31, 2018, the Company:

iii) issued, 12,259,667 units at a price of $0.30 per unit for total proceeds of $3,677,900. Each unit consisted of one common share and a one half common stock warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.40 until April 12, 2020. A residual value of $78,957 was allocated to the warrants.

iv) issued 2,460,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of $384,000.

<u>Escrow</u>

At March 31, 2019, 5,000 common shares (December 31, 2018 – 5,000) 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 nine months thereafter. As at March 31, 2019, there were 5,594,306 common shares remaining in escrow.

(Expressed in Canadian dollars)

10. 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.

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – December 31, 2017	8,504,971	0.31
Granted	1,156,500	0.37
Forfeited	(869,089)	0.33
Balance –December 31, 2018	8,792,382	0.31
Granted	-	-
Forfeited	-	-
Balance – March 31, 2019	8,792,382	0.31

During the three month period ended March 31, 2019, the Company recorded share-based compensation of $83,831 (2018 - $144,053) relating to options vested during the year.

At March 31, 2019, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Remaining Life
			($)	(years)
May 18, 2022	158,000	26,333	0.49	3.03
March 17, 2022	908,000	189,167	0.44	2.96
July 13, 2021	5,367,382	4,509,413	0.27	2.28
September 14, 2022	1,278,500	727,656	0.35	3.46
December 11, 2022	124,000	2,583	0.38	3.70
June 6, 2023	486,500	-	0.46	4.18
September 4, 2023	370,000	-	0.25	4.43
October 18, 2023	100,000	-	0.22	4.55
	8,792,382	5,455,152	0.31	2.78

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants

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

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – December 31, 2017	27,386,929	0.30
Exercised	(2,460,000)	0.16
Expired	(8,272,000)	0.40
Issued	6,841,239	0.39
Balance – December 31, 2018	23,496,168	0.31
Exercised	-	-
Issued	5,343,495	0.29
Balance – March 31, 2019	34,183,227	0.31

During the three month period ended March 31, 2019, the Company:

i) On February 14, 2019, the Company completed a unit private placement which included 9,987,655 share purchase warrants exercisable at $0.30 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

ii) On February 14, 2019, the Company completed a unit private placement which included 699,135 broker warrants exercisable at $0.18 per share for a period of two years. The share purchase warrants were determined to have a fair value of $94,371 using the Black Scholes option pricing model.

During the year ended December 31, 2018, the Company:

i) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 6,129,833 share purchase warrants exercisable at $0.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $140,531 using the residual value method.

ii) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 711,405 brokers' warrants exercisable at $0.30 per share for a period of two years. The broker warrants were determined to have a fair value of $116,226 using the Black Scholes option pricing model.

The Company used the following assumptions in calculating the fair value of the warrants for the period ended:

	March 31, 2019	December 31, 2018
Risk-free interest rate	1.77%	1.85%
Expected life of options	2.0 years	2.0 years
Expected dividend yield	Nil	Nil
Volatility	101.64%	86.44%
Weighted average fair value per warrant	$0.14	$0.16

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants (continued)

At March 31, 2019, the Company had share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price	Weighted Average Remaining Life
		($)	(years)
March 17, 2022	7,950,000	0.40	2.96
February 27, 2020	7,733,333	0.15	0.91
June 24, 2019	971,596	0.20	0.23
July 31, 2020	1,499,500	0.40	1.33
August 13, 2020	3,947,834	0.40	1.37
March 29, 2020	209,930	0.30	0.99
April 12, 2020	682,500	0.40	1.03
April 12. 2020	501,475	0.40	1.03
February 14, 2021	9,987,655	0.30	1.96
February 14, 2021	699,135	0.18	1.96
	34,183,227	0.30	1.82

e) Performance warrants

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 three month period ended March 31, 2019, the Company expensed $0 (2018 - $225,129) as share-based compensation.

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

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

At March 31, 2019, the Company had performance warrants outstanding as follows:

Expiry Date	Performance Warrants Outstanding	Performance Warrants Exercisable	Exercise Price	Remaining Life
			($)	(years)
June 30, 2021	10,003,776	8,336,480	0.25	2

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the three months ended March 31, 2019 and 2018. 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	**2019**	**2018**
	($)	**($)**
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.	108,636	76,676
Short-term employee benefits paid or accrued to the CFO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	44,361	30,824
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.	89,614	26,749
Short-term employee benefits paid or accrued to the Vice President of Engineering of the Company, including share-based compensation vested for incentive stock options and performance warrants.	37,022	23,804
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	28,562	7,248
Total	308,195	165,301

Other Related Party Payments

Office sharing and occupancy costs of $21,000 (2018 - $76,000) were paid or accrued to a corporation that shares management in common with the Company.

Amounts Outstanding

a) At March 31, 2019, a total of $347,249 (December 31, 2018 - $300,858) was included in accounts payable and accrued liabilities owing to officers, directors, or companies controlled by them. These amounts are unsecured and non-interest bearing.

b) At March 31, 2019 a total of $3,636,202 (December 31, 2018 - $3,993,491) of long term notes was payable to a director and the CEO of the Company (Note 9).

12. 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 deposit, accounts payable and accrued liabilities and notes payable.

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. The fair value of notes payable approximates its book value as it was discounted using a market rate of interest.

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.

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 has raised additional capital subsequent to March 31, 2019 (Note 17). The Company' 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 and the notes payable bear interest at the prime lending rate. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. A 1% change in interest rates would have no significant impact on profit or loss for the three month period ended March 31, 2019.

Foreign exchange risk

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

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company was exposed to the following foreign currency risk as at March 31, 2019 and December 31, 2018:

	March 31, 2019	**December 31, 2018**
	(US$)	**(US$)**
Cash	16,509	25,689
Accounts payable and accrued liabilities	(650,819)	(543,790)
	(634,310)	(518,101)

As at March 31, 2019, 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 $65,082 (December 31, 2018 - $71,000).

13. 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 items within equity (deficiency). 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 three month period ended March 31, 2019.

14. GEOGRAPHICAL SEGMENTED INFORMATION

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 and equipment are located in the United States of America.

(Expressed in Canadian dollars)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2018
	($)	($)
Non-cash investing and financing activities:		
Contribution benefit on low interest rate notes (Note 9)	213,411	500,921
Lease obligations	1,466,617	-
Residual value of units	-	78,957
Fair value of broker warrants	94,371	116,226
Interest paid during the year	-	-
Income taxes paid during the year	-	-

16. LEASE OBLIGATIONS AND COMMITMENTS

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. In May of 2018 the Company extended the cost sharing arrangement to June of 2021 at a monthly fee of $7,000 plus GST per month.

Year	Amount
	($)
2019 (remaining)	61,000
2020	84,000
2021	49,000

On September 6, 2017, the Company entered into a rental agreement for office space in Los Angeles, USA. Under the terms of the agreement the Company will pay US17,324 per month commencing on October 1, 2017 until September 30, 2022.

Year	Amount
	(US$)
2019 (remaining)	155,916
2020	207,888
2021	207,888
2022	207,888
2023	69,296

17. SUBSEQUENT EVENTS

From April to May 2019, the Company issued additional notes payables to a director and its CEO for an accumulated amount of $546,666. The notes bear interest at the applicable prime rate and interest accrues quarterly.

On May 21, 2019, the Company acquired an additional 3,186 shares of Versus Systems (Holdco), Inc. from one of the Selling Members in exchange for 9,184,141 common shares of the Company and 4.592.070 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. As a result, the Company increased its ownership interest in Newco to 66.59%.

SCHEDULE C

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED MARCH 31, 2019

VERSUS SYSTEMS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

THREE MONTH PERIOD ENDED

MARCH 31, 2019

REPORT DATE – MAY 28, 2019

Introduction

Versus Systems Inc. (the "Company") is a publicly traded company continued under the Business Corporations Act (British Columbia) effective January 7, 2007. 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 three month period ended March 31, 2019. The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017 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, 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"), since renamed Versus Systems (Holdco) Inc., 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%.

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 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 40.42% and recorded the excess purchase price over net identifiable assets of $90,908 against reserves. The effect on non-controlling interest was a reduction of $215,341, for a balance of $2,999,871.

On September 21, 2017, the Company acquired an additional 174 shares of Newco from one of the Selling Members in exchange for 501,660 common shares of the Company and 250,830 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. The common shares and the share purchase warrants were determined to have a fair value of $235,780 and $88,470, respectively. As a result, the Company increased its ownership interest in Newco to 41.2635% and recorded the excess purchase price over net identifiable assets of $312,255 against reserves. The effect on non-controlling interest was a reduction of $11,995.

On May 21, 2019, the Company acquired an additional 3,186 shares of Newco from one of the Selling Members in exchange for 9,184,141 common shares of the Company and 4.592.070 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. As a result, the Company increased its ownership interest in Newco to 66.59%.

<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.

Business Combination with Versus LLC (continued)

Versus offers a business-to-business software platform that allows video game publishers and developers, as well as other content creators, to offer in-game prizing, based on the completion of in-game challenges. The prizes available are specific to each player based on a variety of characteristics, including age, location, game played, and challenged played. The Versus platform facilitates several types of single player prize challenges that includes a wide range of prize types including, coupons, sweepstakes-style prizes, consumer packaged goods ("CPG") and downloadable content ("DLC"). Versus sells the opportunity to place in-game prizes to advertisers who wish to place product in-game, sharing a certain portion of the gross receipts with the content and game owners. Current agreements range from 50% to 60% of revenue being shared with the publisher/developers, with the remaining 50% to 40% of gross receipts belonging to Versus. The portion of gross receipts that belongs to Versus is recognized as revenue according to Versus' revenue recognition policy.

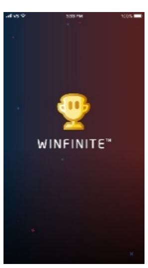
Versus is also in the process of prosecuting a number of patents in the areas of player verification and authentication, so that players' identities, ages, and locations can be assessed accurately prior to any real-money game is played. Versus is also in the process of prosecuting patents in the area 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 in NASCAR® Heat Mobile and Emoji Charades. At present Versus has generated limited revenue from operations.

Versus-enabled game play is currently available in the United States and Canada. Versus intends to expand into Europe and Asia, 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.

<u>Consumer Facing Platform</u>

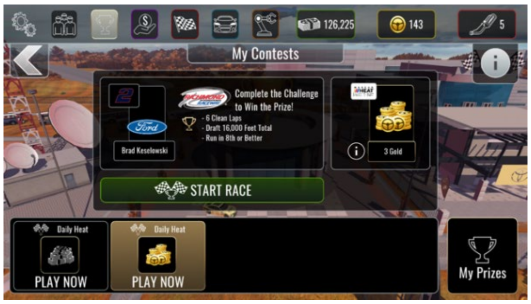
WINFINITE™

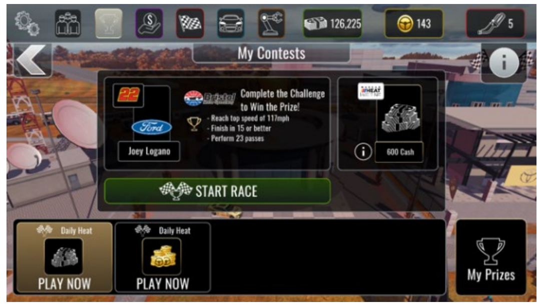


- Versus' WINFINITE™ platform launched on April 2, 2018 in-game in NASCAR® HEAT Mobile; and
- WINFINITE™ is the consumer facing platform Versus created to register and manage player accounts.

Business Combination with Versus LLC (continued)

NASCAR® Heat Mobile – a single player racing game





- 704Games, the Publisher, chose to offer Versus enabled matches (races) for individual players called "Daily Heats";
- Multiple Daily Heats each present players objectives to accomplish in a race to win different types and amounts of in-game currencies; and
- Versus' WINFINITE™ interface is integrated directly into the game, providing players a new feature and portal to register and play for prizing.

Overview of the Industry

According to a Newzoo 2018 Global Games Report, the video game industry is over a $137-billion-dollar market, and has seen enormous change in the last ten years:

> The way games are run has changed completely in only 10 years, from both an organizational and a business perspective, regardless of platform. Add to that the ongoing global alignment of distribution channels, franchises, and business models and it becomes clear that this is more than several individual trends happening simultaneously. Ultimately, the consumer has determined the pace of change. No other form of entertainment or media gives as much power to the consumer as games. Today, not only do games empower people to actively participate, but allow them to enjoy their passion for gaming in ways that suit any mood, interest, lifestyle, location, and budget. The viewing experience is part of games' DNA. Almost any new game includes competitive modes that could lead to a professional esports scene, including live events, pro-gamer heroes, and teams with millions of fans

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.

Business Combination with Versus LLC (continued)

Future roadmap

Beyond the development of the WINFINITE™ 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 rewards.

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.

Recent Business Developments and Milestones

Emoji Charades Launch

On March 21, 2019, Versus announced that its partner GameCake, developer and publisher of Emoji Charades, launched prizing through Versus' WINFINITE platform. Multiple in-game promotions are now available to winning players.

White Castle Partnership

On August 14, 2018, the Company announced it partnered with White Castle, America's first fast-food hamburger chain, to use the WINFINITE platform to offer fans the chance to win White Castle products as prizes. Video game publishers and developers are able to use WINFINITE's new location targeting feature to offer the prizes for in-game achievements based on the player's proximity to certain White Castle locations. The first test of the prizing partnership will provide players with the ability to win rewards from select White Castle locations in the Louisville, Kentucky metropolitan area.

Partnership with GameCake

On July 27, 2018, the Company announced that it has entered into partnership with GameCake, a Los Angeles-based game developer and Comcast portfolio company. GameCake brings friends and families together with games for the devices they already own: streaming media players, Smart TVs, and smart cable boxes. The studio's first title, Emoji Charades, has already garnered multiple "Game of the Day" placements on the App Store worldwide. GameCake will integrate Versus' WINFINITE platform with Emoji Charades to bring real-world prizing into millions of homes.

Product Launch

On April 2, 2018, Versus launched the Company's WINFINITE™ platform in-game in NASCAR® HEAT Mobile on iOS and Android devices. Players in the United States and Canada, excluding Quebec, are eligible to win prizing. Initially, downloadable content (DLC) was offered as the primary prize. By June 2018, real-world prizes were offered, including offering over $100,000 of NASCAR race tickets through WINFINITETM to NASCAR Heat Mobile players. Other prizes categories included apparel, jewelry, food, beverages, and other consumer goods – over 500,000 prized sessions in all.

Recent Business Developments and Milestones (continued)

Across live games, tests, and beta trials, players play 44% more sessions, with longer average session lengths, when they play in WINFINITETM mode. People chose to interact directly with the brand's prizes for almost 15 minutes per campaign. WINFINITETM campaign email open rates average over 400% better than industry averages according to ConstantContact, and the transaction rates of the number of people who purchase something after being exposed to a campaign on WINFINITETM – are 3,500% better than industry averages according to eMarketer.

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."

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.

On March 14th, 2019, Versus announced that, pursuant to a Versus filing made in 2015, the U.S. Patent and Trademark Office (USPTO) has issued U.S. Patent No. 10,242,538, titled "Systems and Methods for Creating and Maintaining Real Money Tournaments for Video Games."

The issued patent protects a number of proprietary systems and methods for awarding real money, physical goods, digital currencies, and downloadable content to players inside video games and other interactive media. Versus uses these patented technologies within their WINFINITE prizing platform, allowing players to play for real-world prizes inside their favorite games.

This granted patent:

- protects the subject systems and methods until 2035;
- covers claims around player identification and verification;
- covers technologies to determine prize eligibility for matches, tournaments, and sweepstakes based on a player's age, location, and other characteristics; and
- describes how the system can award multiple prize types to players that meet a variety of win conditions or achievements in-game.

Recent Business Developments and Milestones (continued)

Developers and publishers that partner with Versus to use the WINFINITE platform will have access to the full suite of protected claims that address legal and regulatory compliance dynamically across federal, state, and local law - allowing content partners to place prizes in-game, or in-app for their players to earn as they play.

Overall Performance and Results of Operations

Three Month Period Ended March 31, 2019

During the three month period ended March 31, 2019 (the "Current Quarter"), the Company incurred a loss for the period of $2,230,008 compared to $2,558,186 for the three month period ended March 31, 2018 (the "Comparative Quarter"). Operating expenses for the Current Quarter were $2,393,568 compared to $2,538,137 for the Comparative Quarter which represented an overall decrease of $144,569 or 6%. The decrease can be attributed to a decrease of $500,285 related to share-based compensation and warrant expense. The decrease was offset by an increase of $160,213 in amortization of development cost in order to get the company's products ready for launch and an increase of $130,517 in salaries and wages due to hiring more employees.

Summary of Quarterly Results

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

Three Months Ended	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
	($)	($)	($)	($)
Sales	222,499	8	1,612	-
Loss from Operations	(2,393,568)	(599,174)	(2,544,178)	(3,566,998)
Loss attributable to shareholders	(1,156,176)	119,031	(1,406,274)	(1,952,581)
Loss attributable to non-controlling interest	(1,073,832)	(759,651)	(1,178,788)	(1,636,722)
Loss for the period	(2,230,008)	(640,620)	(2,585,062)	(3,589,303)
Basic and Diluted Loss per Share	(0.01)	(0.01)	(0.03)	(0.02)

Summary of Quarterly Results (continued)

Three Months Ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
	($)	($)	($)	($)
Other Income	-	-	-	892
Loss from Operations	(2,538,137)	(1,800,669)	(1,744,012)	(1,962,258)
Loss attributable to shareholders	(1,391,653)	(1,400,303)	(825,508)	(1,131,717)
Loss attributable to non-controlling interest	(1,116,533)	(404,531)	(918,504)	(829,649)
Loss for the period	(2,558,186)	(1,804,834)	(1,744,012)	(1,961,366)
Basic and Diluted Loss per Share	(0.02)	(0.02)	(0.01)	(0.02)

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

a) During the three-month period ended March 31, 2019 the loss for the period increased due to the increase in amortization of intangibles as the company was spending on product development. The increase was offset by revenue earned as the company delivered its first significant project.

b) During the three-month period ended December 31, 2018 the loss for the period was reduced due to decrease in share-based compensation and warrant expense. This was offset by the increase of amortization of the intangible assets of Versus LLC, an increase in share-based compensation and capitalized software. In addition, salaries and general and administrative cost increased as the Company was preparing for their first product launch.

c) During the three-month period ended September 30, 2018 through March 31, 2018, the loss for the period increased due to the increase of amortization of the intangible assets of Versus LLC, an increase in share-based compensation and capitalized software. In addition, salaries and general and administrative cost increased as the Company was preparing for their first product launch.

d) During the year ended December 31, 2017 through December 31, 2016, the loss for the period increased due to the inclusion of operating costs in Versus LLC.

e) During the three-month period ended September 30, 2017, the loss for the period increased due to the professional fees, consulting fees incurred in connection with the acquisition of Versus LLC.

Note 2: Other Income consists of royalty income earned from an oil well and the gain on disposal of some petroleum equipment which ended in June of 2017.

Liquidity and Capital Resources

The Company had cash of $74,665 and working capital deficit of $951,705 as at March 31, 2019, compared to a cash position of $34,000 and working capital deficit of $934,594 as at December 31, 2018. The increase in the Company's cash position and working capital deficit was related to increased cost incurred for payroll, professional fees and general and administrative cost to grow the business. These increases were partially offset by a cash inflow from financing of $1,944,722 primarily from the monies raised from a private placement during the quarter ended March 31, 2019. The working capital was also impacted by the adoption of IFRS 16 Leases, which decreased working capital by $300,907,

<u>Financing activities</u>

On February 14, 2019, the Company issued 9,987,655 units at a price of $0.18 per unit for total proceeds of $,797,778. Each unit consisted of one common share and one of a share purchase warrant wherein each whole warrant entitles the holder to purchase one common share at a price of $0.30 until February 14, 2021.

On March 29, 2018, the Company issued 2,999,000 units at a price of $0.30 per unit for total proceeds of $899,700. 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 March 29, 2020.

On April 12, 2018, the Company issued 9,260,667 units at a price of $0.30 per unit for total proceeds of $2,778,200. 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 April 12, 2020.

During the year ended December 31, 2018, the Company issued unsecured notes payable for total proceeds of $3,106,652 from a director of the Company who is also a shareholder, the CEO and an outside financier. The loans bear interest at the prime rate which was 3.95% at December 31, 2018, payable quarterly, and had a maturity date of three years from the date of issuance.

Selected Annual Information

The following table sets out selected financial information for the Company for each of the fiscal years ended December 31, 2018, 2017 and 2016. The selected annual information should only be read in conjunction with the Company's audited annual financial statements for the fiscal years ended December 31, 2018, 2017 and 2016 including the notes thereto.

Statement of Operations, Comprehensive Loss and Deficit Data:

	Year Ended December 31, 2018	**Year Ended December 31, 2017**	**Year Ended December 31, 2016**
	($)	**($)**	**($)**
Revenue	1,620	-	-
Other income	1,219	1,150	1,456
Loss from operations	(9,248,487)	(6,979,341)	(4,507,726)
Loss and comprehensive loss	(9,373,171)	(6,982,356)	(4,997,392)
Loss per share, basic and diluted	(0.11)	(0.10)	(0.10)
- Attributable to shareholders	(0.05)	(0.06)	(0.07)
- Attributable to NCI	(0.05)	(0.04)	(0.03)

Selected Annual Information (continued)

Balance Sheet Data:

	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
	($)	($)	($)
Current Assets	101,150	272,452	1,253,894
Total Assets	3,679,140	4,997,322	6,662,314
Current Liabilities	1,035,744	479,868	328,029
Long Term Debt	3,478,956	747,322	-
Non-Controlling Interest (Deficit)	(5,893,609)	(1,151,915)	1,615,397
Shareholders' Equity (Deficiency)	3,679,140	4,922,047	4,718,888

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 three months ended March 31, 2019 and 2018. 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

	2019	2018
	($)	($)
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.	108,636	76,676
Short-term employee benefits paid or accrued to the CFO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	44,361	30,824
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.	89,614	26,749
Short-term employee benefits paid or accrued to Alex Peachy, CTO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	37,022	23,804
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	28,562	7,248
Total	308,195	165,301

Transactions with Related Parties (continued)

Other Related Party Payments

	2019	2018
	($)	($)
Office sharing and occupancy costs paid or accrued to a corporation which David Hughes, former CFO of the Company, is a director.	21,000	76,000
Total	21,000	76,000

Amounts Outstanding

a) At March 31, 2019, a total of $347,249 (December 31, 2018 - $300,858) was included in accounts payable and accrued liabilities owing to officers, directors, or companies controlled by them. These amounts are unsecured and non-interest bearing.

b) At March 31, 2019, a total of $3,636,202 (December 31, 2018 - $3,993,491) of long term notes was payable to a director and the CEO of the Company.

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 March 31, 2019, there are 101,466,217 common shares and 33,713 Class "A" shares, Series 1 issued and outstanding.

Performance Warrants

As at March 31, 2019, 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.

Disclosure of Outstanding Share Data (continued)

Warrants

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

Expiry Date	Warrants Outstanding	Exercise Price
		($)
March 17, 2022	7,950,000	0.40
February 27, 2020	7,733,333	0.15
June 24, 2019	971,596	0.20
July 31, 2020	1,499,500	0.40
August 13, 2020	3,947,834	0.40
March 29, 2020	209,930	0.30
April 12, 2020	682,500	0.40
April 12, 2020	501,475	0.30
February 14, 2021	9,987,655	0.30
February 14, 2021	699,135	0.18
	34,183,227	0.30

Stock Options

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

Expiry Date	Options Outstanding	Exercise Price
		($)
May 18, 2022	158,000	0.49
March 17, 2022	908,000	0.44
July 13, 2021	5,367,382	0.27
September 14, 2022	1,278,500	0.35
December 11, 2022	124,000	0.38
June 6, 2023	486,500	0.46
September 4, 2023	370,000	0.25
October 18, 2023	100,000	0.22
April 2, 2024	1,820,000	0.21
	10,612,382	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 shares.

Disclosure of Outstanding Share Data (continued)

Pursuant to an escrow shareholders agreement dated June 30, 2016, 12,431,791 common shares will be held in escrow. A total of 10% of the shares were released on June 30, 2016, and the remainder will be released in equal tranches of 15% every nine months thereafter. As at March 31, 2019, there were 5,594.306 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. In May of 2018 the Company extended the cost sharing arrangement to June of 2021 at a monthly fee of $7,000 plus GST per month.

Year	**Amount**
	($)
2019 (remaining)	61,000
2020	84,000
2021	49,000

On September 6, 2017, the Company entered into a rental agreement for office space in Los Angeles, USA. Under the terms of the agreement the Company will pay US$19,110 per month commencing on October 1, 2017 until September 30, 2022.

Year	**Amount**
	(US$)
2019 (remaining)	155,916
2020	207,888
2021	207,888
2022	207,888
2023	69,296

Subsequent Events

From April to May 2019, the Company issued additional notes payables to a director and its CEO for an accumulated amount of $546,666. The notes bear interest at the applicable prime rate and interest accrues quarterly.

On May 21, 2019, the Company acquired an additional 3,186 shares of Versus Systems (Holdco), Inc. from one of the Selling Members in exchange for 9,184,141 common shares of the Company and 4.592.070 share purchase warrants that are exercisable at $0.20 per share until June 24, 2019. As a result, the Company increased its ownership interest in Newco to 66.59%.

New standards, amendments and interpretations to existing standards adopted by the Company

The following standards, amendments to standards and interpretations have been adopted by the Company for annual periods beginning on January 1, 2019

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 statement of financial position 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 statement of financial position.

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.

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 deposit, accounts payable and accrued liabilities and notes payable.

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. The fair value of notes payable approximates its book value as it was discounted using a market rate of interest.

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.

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 has a working capital deficit of $951,705 as at March 31, 2019. 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 March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(US$)	(US$)
Cash	16,509	25,689
Accounts payable and accrued liabilities	(650,819)	(543,790)
	(634,310)	(518,101)

As at March 31, 2019, 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 $65,082 (December 31, 2018 - $71,000).

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 (deficiency), less amounts accumulated in shareholders' equity (deficiency) 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.

Management of Capital (continued)

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 three months ended March 31, 2019.

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:

<u>Limited Operating History</u>

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 minimal 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.

<u>Changes in Laws, Regulations and Guidelines</u>

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.

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 February 15, 2019, the Company announced that it has appointed Mr. Alex Peachey as Chief Technology Officer of the Company. As Chief Technology Officer, Alex heads the research and development efforts for the Company's Elixir-based platform.

On December 5, 2018 the Company announced the appointment of veteran senior technology and media executive Keyvan Peymani as Director of the Company and Executive Chairman of the Board. Mr. Peymani, who served as the Head of Startup Marketing at Amazon Web Services, provides guidance on strategic partnerships, business development, marketing, and growth initiatives and is a key partner to the senior executive team at Versus.

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
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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