VERSUS SYSTEMS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

TWELVE MONTH PERIOD ENDED

DECEMBER 31, 2018

REPORT DATE – April 29, 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 had developed state-of-the art video game software allowing 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 year ended December 31, 2018. 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") 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.

<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.

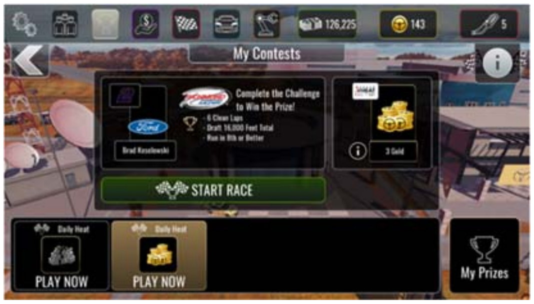
<u>Consumer Facing Platform</u>

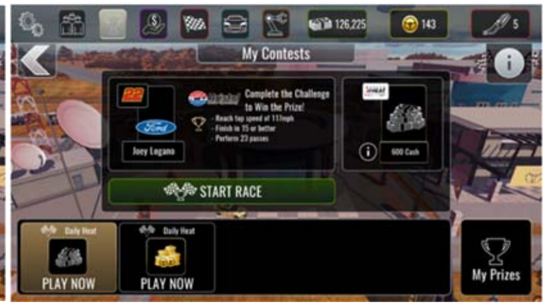
WINFINITE™

- 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 December 31, 2018

During the three month period ended December 31, 2018 (the "Current Quarter"), the Company incurred a loss for the period of $640,620 compared to $1,804,834 for the three month period ended December 31, 2017 (the "Comparative Quarter"). Operating expenses for the Current Quarter were $599,174 compared to $1,800,669 for the Comparative Quarter which represented an overall decrease of $1,201,495 or 67%. The decrease can be attributed to an adjustment of $1,311,596 to share-based compensation and warrant expense compared to an expense of $337,826 in the comparable quarter, a decrease of $1,649,422. The decrease was offset by amortization of development cost of $702,091compared to $675,095 for the comparable quarter, a decrease of $26,996 as a result of an increase in spending on internally developed technology and $1,100,574 of salaries, consultants and general administrative cost compared to $614,935 for the comparable quarter, a decrease of $485,639 in order to get the company's products ready for launch.

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	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
	($)	**($)**	**($)**	**($)**
Sales	8	1,612	-	-
Loss from Operations	(599,174)	(2,544,178)	(3,566,998)	(2,538,137)
Loss attributable to shareholders	119,031	(1,406,274)	(1,952,581)	(1,391,653)
Loss attributable to non-controlling interest	(759,651)	(1,178,788)	(1,636,722)	(1,166,533)
Loss for the period	(640,620)	(2,585,062)	(3,589,303)	(2,558,186)
Basic and Diluted Loss per Share	(0.01)	(0.03)	(0.02)	(0.02)

Summary of Quarterly Results (continued)

Three Months Ended	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	($)	($)	($)	($)
Other Income	-	-	892	258
Loss from Operations	(1,800,669)	(1,744,012)	(1,962,258)	(1,472,402)
Loss attributable to shareholders	(1,400,303)	(825,508)	(1,131,717)	(869,510)
Loss attributable to non-controlling interest	(404,531)	(918,504)	(829,649)	(602,634)
Loss for the period	(1,804,834)	(1,744,012)	(1,961,366)	(1,472,144)
Basic and Diluted Loss per Share	(0.02)	(0.01)	(0.02)	(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 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.

b) 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.

c) 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.

d) 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 $34,000 and working capital deficit of $934,594 as at December 31, 2018, compared to a cash position of $230,742 and a working capital deficit of $207,416 as at December 31, 2017. The decrease in both the Company's cash position and working capital 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 $3,615,241 and debt raised of $3,106,652 during the year ended December 31, 2018.

Financing activities

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.

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

During the year ended December 31, 2017, a total of 2,848,000 share purchase warrants were exercised for aggregate proceeds of $876,700.

During the year ended December 31, 2017, the Company issued unsecured notes payable for total proceeds of $900,000 from a director of the Company who is also a shareholder. The loans bear interest at the prime rate which was 3.20% at December 31, 2017, payable quarterly, and had a maturity date of three years from the date of issuance.

Liquidity and Capital Resources (continued)

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)

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 year ended December 31, 2018 and 2017. 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

	2018	2017
	($)	($)
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.	434,543	883,155
Short-term employee benefits paid or accrued to Craig Finster, CFO, of the Company, including share-based compensation vested for incentive stock options and performance warrants.	150,706	-
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.	297,445	391,853
Short-term employee benefits paid or accrued to Alex Peachy, Vice President of Technology of the Company, including share-based compensation vested for incentive stock options and performance warrants.	238,456	177,440
Share-based compensation vested for incentive stock options issued to certain directors and officers of the Company.	101,456	206,131
Total	1,222,606	1,658,579

Other Related Party Payments

	2018	2017
	($)	($)
Office sharing and occupancy costs paid or accrued to a corporation which David Hughes, former CFO of the Company, is a director.	76,000	60,000
Total	76,000	60,000

Amounts Outstanding

a) At December 31, 2018, a total of $300,862 (December 31, 2017 - $143,668) 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 December 31, 2018, a total of $3,993,491 (December 31, 2017 - $900,000) of long term notes was payable to a director and the CEO of the Company (Note 10).

Disclosure of Outstanding Share Data

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

Shares Issued and Outstanding

As at the Report Date, there are 101,466,217 common shares and 33,713 Class "A" shares, Series 1 issued and outstanding.

Performance Warrants

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

Warrants

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

Expiry Date	Warrants Outstanding	Exercise Price
		($)
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	699,135	0.18
February 14, 2021	9,987,655	0.30
	34,182,958	0.31

Disclosure of Outstanding Share Data (continued)

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.

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 December 31, 2018, there were 1,864,769 common shares remaining in escrow.

Off Balance Sheet Arrangements

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

Commitments

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay $5,000 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018. 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	84,000
2020	84,000
2021	49,000

Commitments (continued)

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	207,888
2020	207,888
2021	207,888
2022	207,888
2023	69,296

Subsequent Events

On February 14, 2019, the Company 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 one 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.

The Company recorded $209,962 of share issuance costs and issued 699,135 agent's warrants exercisable to purchase an additional share at a price of $0.18 per share for a period of 24 months from closing in connection with these financings.

From January to April 2019, the Company issued additional notes payables to a director and its CEO for an accumulated amount of $1,256,667. The notes bear interest at the applicable prime rate and interest accrues quarterly.

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, 2018:

IFRS 9, Financial instruments

The Company adopted all of the requirements of IFRS 9 – Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

IFRS 15, Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. 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. As the Company has no revenues, the change did not impact accumulated deficit or any assets and liabilities on the transition date.

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

IFRS 16, Leases

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

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the 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.

Except for its office leases, the Company determined that the adoption of IFRS 16 will not have a material impact on the financial statements.

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.

Financial Instruments and Risk Management (continued)

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 a working capital deficit of $934,594 as at December 31, 2018. 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 December 31, 2018 and December 31, 2017:

	December 31, 2018	**December 31, 2017**
	(US$)	**(US$)**
Cash	25,689	158,352
Accounts payable and accrued liabilities	(543,790)	(268,355)
	(518,101)	(110,003)

As at December 31, 2018, 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 $71,000 (December 31, 2017 - $13,806).

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.

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 year ended December 31, 2018.

Risks and Uncertainties

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

Limited Operating History

The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenue and the risk that it will not achieve its growth objective. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

To date, Versus has had 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.

Changes in Laws, Regulations and Guidelines

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

Risks and Uncertainties (continued)

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.

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.

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

Risks and Uncertainties (continued)

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.

<u>Online Commerce Security Risks</u>

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.

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

On September 29, 2017, Keyvan Peymani, Head of Startup Marketing for Amazon Web Services, was appointed to the Company's advisory board. In his role as adviser to the board of directors, Mr. Peymani will consult on overall business strategy, in particular, the advancement of Versus Systems Inc. into the entertainment industry, and the development of prizing, advertising and promotion platforms.

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

Corporate Information

Directors:	Matthew Pierce Brian Tingle Michelle Gahagan Paul Vlasic
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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