

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2024**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-39885

VERSUS SYSTEMS INC.

(Exact name of registrant as specified in its charter)

British Columbia

(State or other jurisdiction of
incorporation or organization)

Not Applicable

(I.R.S. Employer
Identification No.)

**2900-500 Burrard Street
Vancouver, BC**

(Address of principal executive office)

V6C 0A3 Canada

(Zip Code)

(604) 639-4457

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value per share	VS	The Nasdaq Capital Market
Unit A Warrants	VSSYW	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 12, 2024, there were 2,746,505 of the registrant's common shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

Versus Systems Inc.

Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2024	December 31, 2023
	(\$)	(\$)
ASSETS		
Current assets		
Cash	471,248	4,689,007
Receivables, net of allowance	754	18,222
Prepays	770,935	160,474
Total current assets	1,242,937	4,867,703
Restricted deposit	-	8,679
Property and equipment, net	-	1,935
Total assets	1,242,937	4,878,317
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	25,783	286,427
Deferred revenue	1,164	35,049
Total liabilities	26,947	321,476
Commitments and contingencies (Note 12)		
Stockholders' equity		
Share capital		
Common stock and additional paid in capital, no par value. Unlimited authorized shares; 2,506,015 common shares and no Class A shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	147,290,988	147,130,123
Accumulated other comprehensive income	276,947	248,287
Accumulated deficit	(138,666,829)	(135,434,022)
	8,901,106	11,944,388
Non-controlling interest	(7,685,116)	(7,387,547)
Total stockholders' equity	1,215,990	4,556,841
Total liabilities and stockholders' equity	1,242,937	4,878,317

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

Versus Systems Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine months Ended September 30, 2024	Nine months Ended September 30, 2023
	(\$)	(\$)	(\$)	(\$)
REVENUES				
Revenues	3,848	22,950	57,288	236,953
Cost of revenues	-	23,570	40,277	79,497
Gross margin	3,848	(620)	17,011	157,456
EXPENSES				
Research and development	11,462	272,111	118,077	1,056,918
Selling, general and administrative	521,410	1,617,161	3,429,062	4,473,710
Total operating expenses	532,872	1,889,272	3,547,139	5,530,628
Operating loss	(529,024)	(1,889,892)	(3,530,128)	(5,373,172)

Other income (expense):				
Employee retention credit refund	-	354,105	-	354,105
Other income (expense)	73	-	(248)	-
Other income/(expense), net	73	354,105	(248)	354,105
Loss before provision	(528,951)	(1,535,787)	(3,530,376)	(5,019,067)
Provision for income taxes	-	-	-	-
Net loss	(528,951)	(1,535,787)	(3,530,376)	(5,019,067)
Other total comprehensive income (loss):				
Change in foreign currency translation, net of tax	(52,823)	(4,814)	28,660	23,383
Total other comprehensive income (loss)	(52,823)	(4,814)	28,660	23,383
Total comprehensive loss	(581,774)	(1,540,601)	(3,501,716)	(4,995,684)
Less: comprehensive income (loss) attributable to non-controlling interest	(31,920)	215,958	297,569	603,271
Comprehensive loss attributable to shareholders	(613,694)	(1,324,643)	(3,204,147)	(4,392,413)
Basic and diluted earnings per share to shareholders	(0.22)	(1.99)	(1.29)	(7.06)
Weighted average shares - basic and diluted	2,506,015	669,636	2,506,015	618,757

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

Versus Systems Inc.

Condensed Consolidated Statements of Changes in Equity (Deficit) (Unaudited)

	Number of Common Shares	Number of Class "A" Shares	Common Shares	Class "A" Shares	Additional paid in Capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Stockholders' equity	Non- controlling Interest	Total stockholders' equity
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2023	2,506,015	-	134,075,745	-	13,054,378	248,287	(135,434,022)	11,944,388	(7,387,547)	4,556,841
Stock-based compensation	-	-	-	-	160,865	-	-	160,865	-	160,865
Cumulative translation adjustment	-	-	-	-	-	(39,691)	-	(39,691)	-	(39,691)
Net loss	-	-	-	-	-	-	(1,328,391)	(1,328,391)	(173,292)	(1,501,683)
March 31, 2024	2,506,015	-	134,075,745	-	13,215,243	208,596	(136,762,413)	10,737,171	7,560,839	3,176,332
Cumulative translation adjustment	-	-	-	-	-	121,174	-	121,174	-	121,174
Net loss	-	-	-	-	-	-	(1,343,545)	(1,343,545)	(156,197)	(1,499,742)
Balance at June 30, 2024	2,506,015	-	134,075,745	-	13,215,243	329,770	(138,105,958)	9,514,800	7,717,036	1,797,764
Cumulative translation adjustment	-	-	-	-	-	(52,823)	-	(52,823)	-	(52,823)
Net loss	-	-	-	-	-	-	(560,871)	(560,871)	31,920	(528,951)
Balance at September 30, 2024	2,506,015	-	134,075,745	-	13,215,243	276,947	(138,666,829)	8,901,106	7,685,116	1,215,990
	Number of Common Shares	Number of Class "A" Shares	Common Shares	Class "A" Shares	Additional paid in Capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Stockholders' equity	Non- controlling Interest	Total stockholders' equity
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2022	260,761	21	122,353,525	28,247	14,506,758	154,970	(125,907,025)	11,136,475	(6,402,387)	4,734,088
Exercise of warrants	252,625	-	4,446,200	-	-	-	-	4,446,200	-	4,446,200
Shares issued in public offering	156,250	-	2,250,000	-	-	-	-	2,250,000	-	2,250,000
Share issuance costs	-	-	(226,544)	-	-	-	-	(226,544)	-	(226,544)
Stock-based compensation	-	-	-	-	1,247,113)	-	-	(1,247,113)	-	(1,247,113)
Cumulative translation adjustment	-	-	-	-	-	9,348	-	9,348	-	9,348
Net loss	-	-	-	-	-	-	(1,194,195)	(1,194,195)	(132,694)	(1,326,889)
March 31, 2023	669,636	21	128,823,181	28,247	13,259,645	164,318	(127,101,220)	15,174,171	6,535,081)	8,639,090

Stock-based compensation	-	-	-	-	90,893	-	-	90,896	-	90,896
Cumulative translation adjustment	-	-	-	-	-	18,849	-	18,849	-	18,849
Net loss	-	-	-	-	-	-	(2,041,761)	(2,041,761)	(268,894)	(2,310,655)
Balance at June 30, 2023	669,636	21	128,823,181	28,247	13,350,541	183,167	(129,142,981)	13,242,155	(6,803,975)	6,438,180
Stock-based compensation	-	-	-	-	1,909	-	-	1,909	-	1,909
Cumulative translation adjustment	-	-	-	-	-	(4,814)	-	(4,814)	-	(4,814)
Net loss	-	-	-	-	-	-	(1,179,840)	(1,179,840)	(201,683)	(1,381,523)
Balance at September 30, 2023	669,636	21	128,823,181	28,247	13,352,450	178,353	(130,322,821)	12,059,410	(7,005,658)	5,053,752

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

Versus Systems Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine months Ended September 30, 2024 (\$)	Nine months Ended September 30, 2023 (\$)
Cash flows from operating activities		
OPERATING ACTIVITIES		
Net loss	(3,530,376)	(5,019,067)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization	1,688	57,013
Amortization of intangible assets	-	1,870,045
Loss on sale of equipment	-	51,770
Accrued interest	-	2,582
Share-based compensation	160,865	(1,154,308)
Changes in operating assets and liabilities:		
Receivables	17,468	31,463
Proceeds from office security deposit	-	100,000
Prepays	(610,461)	(972)
Deferred revenue	(33,885)	(35,798)
Accounts payable and accrued liabilities	(260,644)	(258,451)
Cash flows used in operating activities	(4,255,345)	(4,355,723)
INVESTING ACTIVITIES		
Proceeds from sale of equipment	-	4,899
Purchase of intangible assets	-	(19,005)
Cash flows used in investing activities	-	(14,106)
FINANCING ACTIVITIES		
Repayment of notes payable - related party	-	(821,292)
Proceeds from warrant exercises	-	4,446,200
Proceeds from share issuances	-	2,250,000
Payments for finance lease liabilities	-	(131,142)
Payments of share issuance costs	-	(380,788)
Cash flows provided by financing activities	-	5,362,978
Effect of exchange rates on cash and cash equivalents	37,586	(3,198)
Change in cash during the period	(4,217,759)	989,951
Cash - Beginning of period	4,689,007	1,178,847
Cash - End of period	471,248	2,168,798

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



1. NATURE OF OPERATIONS

Versus Systems Inc. (the Company) was continued under the Business Corporations Act (British Columbia) effective January 2, 2007. The Company's head office and registered and records office is 1558 West Hastings Street, Vancouver, BC, V6C 3J4, Canada. The Company's common stock is traded on the NASDAQ under the symbol "VS". The Company's Unit A warrants are traded on NASDAQ under "VSSYW". On November 9, 2022, the Company completed a one-for-15 reverse stock split of the Company's common shares. On December 28, 2023, the Company completed a one-for-16 reverse stock split of the Company's common shares. All share and per share data are presented to reflect the reverse share splits on a retroactive basis.

The Company is engaged in the technology sector and has developed a proprietary prize and promotions tool allowing game developers and creators of streaming media, live events, broadcast TV, games, apps, and other content to offer real world prizes inside their content. The ability to win prizes drives increased levels of consumer engagement creating an attractive platform for advertisers.

In June 2021, the Company completed its acquisition of multimedia, production, and interactive gaming company Xcite Interactive, a provider of online audience engagement through its owned and operated XEO technology platform. The Company partners with professional sports franchises across Major League Baseball (MLB), National Hockey League (NHL), National Basketball Association (NBA) and the National Football League (NFL) to drive audience engagement.

In September 2024 the Company closed down its operations within the United Kingdom, Versus Systems UK, Ltd. The United Kingdom had limited activity for the nine months ended September 30, 2024 and 2023, respectively.

On August 22, 2024, the Company received a letter from The Nasdaq Capital Market ("Nasdaq"), notifying the Company that it is no longer in compliance with the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires listed companies to maintain stockholders' equity of at least \$ 2.5 million. In addition, as of August 22, 2024, the Company did not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations.

In October 2024, the Company entered into a \$ 2,500,000 funding agreement with ASPIS Cyber Technologies ("ASPIS"). At that time, ASPIS delivered to the Company \$ 500,000 and agreed to, on or before November 15, 2024, deliver to the Company an additional \$ 2,000,000. However, the Company has informally agreed to defer the \$ 2,000,000 until Nasdaq has progressed further with its review of the Company's plan. Pursuant to that agreement, the Company issued to ASPIS a senior convertible promissory note in the principal amount of the total amount funded. The note provides that upon approval by the Company's shareholders and the Company's redomiciling to Delaware the amount funded to date plus, at ASPIS's option, any accrued and unpaid interest thereon, will be converted into units of the Company, each equal to (a) one common share of the Company and (b) a warrant to purchase one-half of one Common Share at a purchase price of \$ 4.00 per one whole share, exercisable for five years.

Under the terms of the agreement, upon the Company's shareholders' approval and the Company's redomiciling to Delaware, assuming only \$ 2,500,000 is funded, ASPIS will receive upon the Conversion 2,155,172 Common Shares and warrants to purchase an additional 1,077,586 shares.



1. NATURE OF OPERATIONS (CONTINUED)

Additionally, the Company entered into a Technology License and Software Development Agreement (the "License Agreement") in October 2024 which provides for the Company to license its gamification, engagement and QR code technology to ASPIS for use in ASPIS's website business and for development of additional functionality for Versus' technology.

Pursuant to the License Agreement, the Company granted ASPIS a license to use Versus' technology in ASPIS's website business that provides cybersecurity technology. ASPIS will pay for any required technology modifications, improvements and developments to Versus' technology in addition to a license fee of \$ 165,000 per month beginning in January 2025. The Company will retain ownership of Versus' technology and ASPIS will hold an exclusive license to use Versus' technology in the cybersecurity industry so long as ASPIS continues to pay the monthly license fee. The License Agreement has an initial term of one year with successive renewal terms of one year each upon ASPIS's written approval, subject to earlier termination by the Company or ASPIS.

In October 2024, the Company warrant holders exercised 240,490 warrants issued in December 2023 offering upon such exercise, the Company issued 240,490 common shares at a price of \$ 3.68 per share, for \$ 885,003 proceeds.

Going Concern

These condensed interim 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 of September 30, 2024, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations and as such, there is substantial doubt as to the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. These condensed interim consolidated financial statements do not include any adjustments as 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.

Management's plans include attempting to secure additional required funding through equity or debt financing, if available, seeking to enter into a partnership or other strategic agreement regarding, or sales or out-licensing of, its technology. There can be no assurance that we will be able to obtain required funding in the future. If the Company does not obtain required funding, the Company's cash resources will be depleted in the near term and the Company would be required to materially reduce or suspend operations, which would likely have a material adverse effect on the Company's business, stock price and our relationships with third parties with whom the Company have business relationships. If the Company does not have sufficient funds to continue operations, the Company could be required to seek bankruptcy protection, dissolution or liquidation, or other alternatives that could result in the Company's stockholders losing some or all of their investment in us. The Company has implemented expense reduction measures including, without limitation, employee headcount reductions and the reduction or discontinuation of certain product development programs. Additionally, the Company is not in compliance with certain listing standards of the Nasdaq National Market and there can be no assurance that the Company will be successful in curing the deficiencies and regaining compliance by the applicable cure dates. (See Note 11 for additional information).

VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments and the elimination of intercompany accounts) considered necessary for a fair statement of all periods presented. The results of operations of the Company for any interim periods are not necessarily indicative of the results of operations for any other interim periods or for a full fiscal year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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.

Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiaries are 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.

VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Versus Systems (Holdco) Inc.	United States of America	81.9%	Holding Company
Versus LLC	United States of America	81.9%	Technology Company
Xcite Interactive, Inc.	United States of America	100.0%	Technology Company

Use of estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements. Estimates and assumptions are continually evaluated and are based on 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 period, 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:

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 as of September 30, 2024 totaled 911,775 (September 30, 2023 – 127,041).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment is recorded at cost less accumulated amortization and any impairments. Depreciation 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
Right of use assets	Shorter of useful life or lease term

Fair Value Measurements and Financial instruments

The Company applies Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1-Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2-Includes other inputs that are directly or indirectly observable in the marketplace.
- Level 3-Unobservable inputs which are supported by little or no market activity.

ASC 820 recommends three main approaches for measuring the fair value of assets and liabilities: the market approach, the income approach, and the cost approach. The Company uses the appropriate approach based on the nature of the asset or liability being measured. Financial instruments include cash, receivables, restricted deposit, accounts payable and accrued liabilities. The carrying values of the financial instruments included in current assets and liabilities approximate their fair values due to their short-term maturities.

Deferred financing costs

Deferred financing costs consist primarily of direct incremental costs related to the Company's public offering of its common stock. Upon completion of the Company's financings any deferred costs were offset against the proceeds in the condensed consolidated statement changes in shareholders' equity.

Income taxes

The Company accounts for income taxes utilizing the assets and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and net operating loss and tax credit carry forwards, using enacted tax rates and laws that are expected to be in effect when the differences reverse.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A valuation allowance is recorded against deferred tax assets in these cases then management does not believe that the realization is more likely than not. While management believes that its judgements and estimates regarding deferred tax assets and liabilities are appropriate, significant differences in actual results may materially affect the Company's future financial results.

The Company recognizes any uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon audit by relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 % likelihood of being sustained. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2024 and December 31, 2023, the Company did not record any accruals for interest and penalties. The Company does not foresee material changes to its uncertain tax positions within its next twelve months. The Company's tax years are subject to examination for 2020 and forward for U.S. Federal tax purposes and for 2019 and forward for state tax purposes.

Leases

The Company assesses at contract inception whether a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term corresponds to the non-cancellable period of each contract.

All leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over the periods of their respective leases. Operating leases (with an initial term of more than 12 months) are included in operating lease right-of-use (ROU) assets, operating lease liabilities (current), and operating lease liabilities (non-current) in the condensed interim consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company utilizes a market-based approach to estimate the incremental borrowing rate based on the information available at

commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease prepayments, reduced by lease incentives and accrued rent. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Loss contingencies

A loss contingency 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. Loss contingencies 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Equity Units Issued in Private Placements

In accordance with U.S. GAAP, particularly ASC 505-10 and ASC 815, the Company has adopted the fair value method for the valuation of equity units issued in private placements, which typically comprise common shares and warrants. For each private placement, the Company separately estimates the fair value of both the common shares and the warrants at the date of issuance. The determination of fair value is based on market conditions, volatility, and other relevant factors at the time of issuance.

1. Common Shares: The fair value of the common shares issued is measured based on observable market prices, if available, or estimated using appropriate valuation techniques considering the terms of the shares and market conditions.
2. Warrants: Warrants are valued using an appropriate option-pricing model, such as the Black-Scholes or a binomial model. The model incorporates various inputs, including the share price, expected volatility, expected term, risk-free interest rate, and any dividends.

The total proceeds from the issuance of equity units are allocated between the common shares and the warrants based on their relative fair values at the date of issuance. This allocation is reflected in the equity section of the condensed interim consolidated balance sheet, with the fair value of the warrants recorded as a component of additional paid-in capital in the equity section. If the warrants expire unexercised, the amount remains in additional paid-in capital.

This method of valuation and allocation ensures compliance with the fair value measurement and equity classification requirements of U.S. GAAP.

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 Company 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

In general, the Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company, where there is evidence of an arrangement, when the selling price is fixed or determinable, and when specific criteria have been met or there are no significant remaining performance obligations for each of the Company's activities as described below. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined.

The Company earns revenue in two primary ways: 1) the sales of software-as-a-service (SAAS) from its interactive production software platform or 2) development and maintenance of custom-built software or other professional services.

The Company recognizes SAAS revenues from its interactive production sales over the life of the contract as its performance obligations are satisfied. Payment terms vary by contract and can be periodic or one-time payments.

The Company recognizes revenues received from the development and maintenance of custom-built software and other professional services provided upon the satisfaction of its performance obligation in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Performance obligations can be satisfied either at a single point in time or over time. For those performance obligations that are satisfied at a single point in time, the revenue is recognized at that time. For each performance obligation satisfied over time, the Company recognizes

revenue by measuring the progress toward complete satisfaction of that performance obligation.

For revenues received from the sales of advertising, the Company is deemed the agent in its revenue agreements. The Company does not own or obtain control of the digital advertising inventory. The Company recognizes revenues upon the achievement of agreed-upon performance criteria for the advertising inventory, such as a number of views, or clicks. As the Company is acting as an agent in the transaction, the Company recognizes revenue from sales of advertising on a net basis, which excludes amounts payable to partners under the Company's revenue sharing agreements.

The Company's contracts with customers may include promises to transfer multiple products and services. For these contracts, the Company accounts for individual performance obligations separately if they are capable of being distinct and distinct within the context of the contract. Determining whether products and services are considered distinct performance obligations may require significant judgment. Judgment is also required to determine the stand-alone selling price, for each distinct performance obligation.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred revenue

Revenue recognition of sales is recorded on a monthly basis upon delivery or as the services are provided. Cash received in advance for services are recorded as deferred revenue based on the proportion of time remaining under the service arrangement as of the reporting date.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the Company operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in ASC 830, Foreign Currency Matters.

Foreign currency transactions in currencies other than the United States dollar are recorded at exchange rates prevailing on the dates of the transactions. Foreign currency transaction gains and losses are generally recognized in profit or loss and presented within gain (loss) on foreign exchange.

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 condensed interim consolidated balance sheets. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at historical rates. Revenues and expenses that are denominated in foreign currencies are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign currency translation gains and losses are recognized in other comprehensive income and accumulated in equity on the condensed interim consolidated statements of stockholders' equity.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity (deficit) which results from transactions and events from sources other than the Company's shareholders. Comprehensive loss differs from net loss for the periods ended September 30, 2024 and 2023, due to the effects of foreign translation gains and losses.

Recent accounting pronouncements not yet adopted

New accounting pronouncements

In August 2023, the FASB issued ASU 2023-05, Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement. This ASU addresses accounting for assets and liabilities contributed to a joint venture. It requires entities to recognize and measure these contributions at fair value as of the joint venture formation date. This ASU is applicable to all entities involved in forming joint ventures and is effective for joint ventures formed on or after January 1, 2025. The Company is currently evaluating how this ASU will impact its condensed consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU enhances the disclosures related to segment reporting for public entities. It requires entities to disclose significant segment expenses for each reportable segment, providing greater transparency in segment performance. The ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating how this ASU will impact its condensed interim consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU enhances the transparency and decision usefulness of income tax disclosures. It is designed to provide more detailed information about an entity's income tax expenses, liabilities, and deferred tax items, potentially affecting how companies report and disclose their income tax-related information. The ASU is effective for public business entities for annual periods beginning after December 15, 2024, including interim periods within those fiscal years. The Company is currently evaluating how this ASU will impact its condensed consolidated financial statements and disclosures.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent adopted accounting pronouncements

In March 2023, the FASB issued ASU 2023-01, Leases (Topic 842): Common Control Arrangements. This ASU clarifies leasing transactions among entities under common control, emphasizing the use of written terms for lease existence and classification. It is effective for public business entities for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company adopted the amendments in this update during the current year and the adoption did not have a material impact on its condensed consolidated financial statements and disclosures.

In March 2023, the FASB issued ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method. This ASU expands the proportional amortization method to additional types of tax equity investments. It allows entities to apply this method to a broader range of investments that generate tax credits, providing greater flexibility in accounting for these investments. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company adopted the amendments in this update during the current year and the adoption did not have a material impact on its condensed consolidated financial statements and disclosures.

In March 2023, the FASB issued ASU 2023-03, which amends various SEC paragraphs in the Accounting Standards Codification. This includes amendments to Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718). The amendments are in response to SEC Staff Accounting Bulletin No. 120 and other SEC staff announcements and guidance. This ASU does not introduce new guidance and therefore does not have a specified transition or effective date. However, for smaller reporting companies, the ASU is effective for fiscal years beginning after December 15, 2023. The Company adopted the amendments in this update during the current year and the adoption did not have a material impact on its condensed consolidated financial statements and disclosures.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. This ASU introduces changes to the disclosure requirements, aligning them more closely with the SEC's initiatives for simplification and update. It specifically addresses various amendments in the FASB Accounting Standards Codification in response to the SEC's drive for clearer and more streamlined disclosures. This ASU is effective for public business entities classified as smaller reporting companies for fiscal years beginning after December 15, 2023. The Company adopted the amendments in this update during the current year and the adoption did not have a material impact on its condensed consolidated financial statements and disclosures.

Management does not believe any other recently issued but not yet effective accounting pronouncement, if adopted, would have a material effect on the Company's present or future consolidated financial statements.

VERSUS SYSTEMS INC. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)



3. PROPERTY AND EQUIPMENT

	Computers (\$)
Cost	
At December 31, 2023	24,251
Disposals	(247)
At September 30, 2024	24,004
Accumulated amortization	
At December 31, 2023	22,316
Amortization for the period	1,688
Disposals	-
At September 30, 2024	24,004
Carrying amounts	
At December 31, 2023	1,935
At September 30, 2024	-

The Company recorded depreciation expense of \$ 878 and \$ 8,444 for the three months ended September 30, 2024 and 2023, respectively. The Company recorded depreciation expense of \$ 1,688 and \$ 22,344 for the nine months ended September 30, 2024 and 2023, respectively.

4. NON-CONTROLLING INTEREST IN VERSUS LLC

The Company holds a 81.9 % ownership interest in Versus LLC, a privately held limited liability company organized under the laws of the state of Nevada. The Company consolidates Versus LLC as a result of having full control over the voting shares. 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.

The net loss for Versus, LLC for the three month and nine month periods ended September 30, 2024 was \$ 543,107 and \$ 3,448,893 , respectively. The net loss for Versus, LLC for the three month and nine month periods ended September 30, 2023 was \$ 2,363,489 and \$ 4,995,685 , respectively. The net income (loss) attributable to the non-controlling interest for the three month and nine month periods ended September 30, 2024 was \$(31,920) and \$ 297,569 , respectively. The net income (loss) attributable to the non-controlling interest for the three month and nine month periods ended September 30, 2023 was \$ 215,958 and \$ 603,271 , respectively. The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as of September 30, 2024 and 2023.

	September 30, 2024	December 31, 2023
Non-controlling interest percentage	18.1 %	18.1 %
	(\$)	(\$)
Assets		

Current	676,300	2,996,250
Non-current	-	1,935
	676,300	2,998,185
Liabilities		
Current	19,853	175,051
Non-current	45,997,362	45,960,372
	46,017,215	46,135,423
Net liabilities	(45,340,915)	(43,137,328)
Non-controlling interest	(7,685,116)	(7,387,547)

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VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)



5. INTANGIBLE ASSETS

Intangible assets were 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 Company continued to develop new apps, therefore additional costs were capitalized during the years ended December 31, 2023 and 2022. During the year ended December 31, 2023, the Company completed an impairment analysis of its intangible assets and concluded the assets were impaired. As a result, the Company impaired the remaining carrying value of the intangible assets.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2024	December 31, 2023
	(\$)	(\$)
Accounts payable	-	82,579
Due to related parties (Note 10 and Note12)	-	177,500
Accrued liabilities	25,783	26,348
	25,783	286,427

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VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)



7. NOTES PAYABLE – RELATED PARTY

During the year ended December 31, 2023, the Company repaid \$ 2,519,835 of principal on its outstanding note payable – related party balances. As at December 31, 2023, the Company had recorded \$0 in accrued interest.

During the three and nine months ended September 30, 2024 and 2023 the Company recorded interest expense of \$0 .

8. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of Class A Shares and an unlimited number of common shares.

b) Issued share capital

During the year ended December 31, 2023, the Company:

- i) Issued 156,250 shares at a price of \$ 14.40 per share for total proceeds of \$ 2,250,000 in a registered direct offering. In connection with the offering, the Company incurred \$ 226,544 in issuance costs as part of the transaction.
- ii) Issued 283,875 common shares pursuant to exercise of 283,875 warrants at a price of \$ 17.37 per share for total proceeds of \$ 4,561,200 .

During the nine months ended September 30, 2024, the Company:

- i) Did not enter into any capital transactions.

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8. SHARE CAPITAL (CONTINUED)

c) Stock options

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 (\$)
Outstanding – December 31, 2023	28,990	165.38
Granted	-	-
Exercised	-	-
Forfeited	(13,860)	186.49
Outstanding – September 30, 2024	<u>15,130</u>	<u>146.03</u>

During the three months ended September 30, 2024 and 2023 the Company recorded share-based compensation of none and \$ 1,909 , respectively, relating to options vested during the period. During the nine months ended September 30, 2024 and 2023 the Company recorded share-based compensation of \$ 160,865 and \$(1,154,308), respectively.

There were no grants in the three-month and nine-month period ended September 30, 2024. There were no grants in the three-month period ended September 30, 2023. The Company used the following assumptions in calculating the grant date fair value of stock options granted for the nine-month period ended September 30, 2023:

	September 30, 2023
Risk-free interest rate	3.93%
Expected life of options	5.0 years
Expected dividend yield	Nil
Volatility	132.65%



8. SHARE CAPITAL (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, 2022	329,908	91.84
Exercised	(283,875)	16.19
Expired	-	-
Issued	850,612	3.83
Balance – December 31, 2023	<u>896,645</u>	<u>32.36</u>
Exercised	-	-
Expired	-	-
Issued	-	-
Balance – September 30, 2024	<u>896,645</u>	<u>32.36</u>

During the year ended December 31, 2023, the Company:

- i) Issued 10,938 placement agent warrants in conjunction with a registered direct offering on February 2, 2023, with an exercise price of \$ 14.40 per share.
- ii) Issued 815,217 warrants in conjunction with a public offering on October 17, 2023, with an exercise price of \$ 3.68 per share.
- iii) Issued 24,457 placement agent warrants in conjunction with a public offering on October 17, 2023, with an exercise price of \$ 4.05 per share.

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

	December 31, 2023
Risk-free interest rate	4.13 % – 4.49 %
Expected life of warrants	2.06 – 4.80 years
Expected dividend yield	Nil
Volatility	132.78 %
Weighted average fair value per warrant	\$ 4.69

At September 30, 2024, the Company had share purchase warrants outstanding as follows:

Expiration Date	Warrants Outstanding	Exercise Price (\$)	Weighted Average Remaining Life (years)
January 20, 2026	7,030	1,800.00	1.31
February 28, 2027	20,689	460.80	2.42
December 6, 2027	13,781	20.00	3.18
December 9, 2027	9,876	17.60	3.19
January 18, 2028	25,906	124.80	3.30
February 2, 2028	10,938	14.40	3.35
October 17, 2028	783,968	3.68	4.05
October 17, 2028	24,457	4.05	4.05
	896,645	32.36	3.94



9. CONCENTRATION OF RISK

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 due from customers and tax due from the Canadian government.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company is involved in legal proceedings and other matters arising in connection with the conduct of its business activities. Many of these proceedings may be at the preliminary stages and/or seek an indeterminate amount of damages. In the opinion of management, after consultation with legal counsel, such routine claims and lawsuits are not significant and we do not currently expect them to have a material adverse effect on our business, financial condition, results of operations, or liquidity.

11. SUBSEQUENT EVENTS

ASPIS Agreements

On October 7, 2024, the Company entered into two agreements with ASPIS. ASPIS, an affiliate of the Company's largest shareholder—Cronus Equity Capital Group, LLC ("CECG")—is a cloud-based mobile endpoint cyber security technology company for anti-tapping and anti-hacking within the government, finance, gaming and social media sectors. CECG holds approximately 39.5 % of the outstanding common shares of the Company.

The first agreement was a \$ 2,500,000 funding agreement with ASPIS. At that time, ASPIS delivered to the Company \$ 500,000 and agreed to, on or before November 15, 2024, deliver to the Company an additional \$ 2,000,000. However, the Company has informally agreed to defer the \$ 2,000,000 until Nasdaq has progressed further with its review of the Company's plan. Pursuant to that agreement, the Company issued to ASPIS a senior convertible promissory note in the principal amount of the total amount funded. The note provides that upon approval by the Company's shareholders and the Company's redomiciling to Delaware the amount funded to date plus, at ASPIS's option, any accrued and unpaid interest thereon, will be converted into units of the Company, each equal to (a) one common share of the Company and (b) a warrant to purchase one-half of one Common Share at a purchase price of \$ 4.00 per one whole share, exercisable for five years.

Under the terms of the agreement, upon the Company's shareholders' approval and the Company's redomiciling to Delaware, assuming only \$2,500,000 is funded, ASPIS will receive upon the Conversion 2,155,172 Common Shares and warrants to purchase an additional 1,077,586 shares.

Additionally, the Company entered into a Technology License and Software Development Agreement (the "License Agreement") in October 2024 which provides for the Company to license its gamification, engagement and QR code technology to ASPIS for use in ASPIS's website business and for development of additional functionality for Versus' technology.

Pursuant to the License Agreement, the Company granted ASPIS a license to use Versus' technology in ASPIS's website business that provides cybersecurity technology. ASPIS will pay for any required technology modifications, improvements and developments to Versus' technology in addition to a license fee of \$ 165,000 per month beginning in January 2025. The Company will retain ownership of Versus' technology and ASPIS will hold an exclusive license to use Versus' technology in the cybersecurity industry so long as ASPIS continues to pay the monthly license fee. The License Agreement has an initial term of one year with successive renewal terms of one year each upon ASPIS's written approval, subject to earlier termination by the Company or ASPIS.

In October 2024, the Company warrant holders exercised 240,490 warrants issued in December 2023 offering upon such exercise, the Company issued 240,490 common shares at a price of \$ 3.68 per share, for \$ 885,003 proceeds.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations for the years ended December 31, 2023 and 2022, in addition to the Quarterly Report for the period ended March 31, 2024 and June 30, 2024, in conjunction with our unaudited condensed consolidated interim financial statements and the related notes included elsewhere in this Quarterly Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Quarterly Report.

Overview

We offer a suite of proprietary business-to-business software tools that are meant to drive user engagement through gamification and rewards. These tools allow our partners to offer in-game prizes and rewards, including merchandise, coupons, digital goods, and sweepstakes entries — inside their websites, their venues, or their streaming media content.

Our customers are mostly sports teams, venues, and advertising agencies, who typically use our products as part of their live events or as part of an advertising campaign with the goal of engaging fans, increasing consented first-party data, and increasing sales. At December 31, 2023 and at September 30, 2024, we had five and one active customers due to the decrease in our sales force.

Our products and games are designed so that end users of our products can earn prizes by registering on our system and completing in-content challenges like trivia, polls, or casual mobile games. Players can use our system to play a variety of games and earn a wide range of prize types provided by advertisers and sponsors. Our products include our in-venue XEO and Filter Fan Cam products for live events, and our new stand-alone "Winfinite" product that can be used by brands, advertising agencies, and content partners to reach potential customers outside of sports venues, on mobile devices. We also have an IP portfolio that could create future licensing and product development opportunities including our recently allowed Artificial Intelligence ("AI") and Machine Learning ("ML") series of patent claims.

With the acquisition of Xcite Interactive in June 2021, we acquired a number of key pieces of technology and relationships that have helped to drive our engagement and rewards business, including a live events fan engagement business that has partnered with professional sports franchises in the National Football League ("NFL"), the National Basketball Association ("NBA"), the National Hockey League ("NHL") and others to increase audience engagement using interactive gaming functions like trivia, polling, and casual games that can be played alongside live experiences whether a player is at-home, in a restaurant, or in-venue at the event itself. Our three largest customers in 2023 were the San Jose Sharks, the Sacramento Kings, and ENT Marketing, a marketing agency that used our platform to promote Coca-Cola products.

We now have three principal software products. Our eXtreme Engagement Online or "XEO" platform is designed primarily for in-venue main-board work in stadiums and arenas. Our Filter Fan Cam (FFC) platform is an Augmented Reality filtering tool that can be used for mobile and in-venue applications. In addition, we have a stand-alone gaming and prize product that we call "Winfinite," which allows brands, media companies, and advertising agencies to reach out to customers directly on their mobile devices. We license these three software products to teams, ad agencies, and other content creators.

Significant Components of Our Results of Operations

Revenue. In general, we recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to us, where there is evidence of an arrangement, when the selling price is fixed or determinable, and when specific criteria have been met or there are no significant remaining performance obligations for each of our activities as described below. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined.

We earn revenue through the development and maintenance of custom-built software.

We recognize revenues received from the development and maintenance of custom-built software and other professional services provided upon the satisfaction of our performance obligation in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Performance obligations can be satisfied either at a single point in time or over time. For those performance obligations that are satisfied at a single point in time, the revenue is recognized at that time. For each performance obligation satisfied over time, we recognize revenue by measuring the progress toward complete satisfaction of that performance obligation.

Our contracts with customers may include multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are capable of being distinct within the context of the contract. Determining which performance obligations are considered distinct may require significant judgment. Judgment is also required to determine the amount of revenue associated with each distinct performance obligation.

Operating Expenses. We classify our operating expense as research and development, and selling, general and administrative. Personnel costs are the primary component of each of these operating expense categories, which consist of cash-based personnel costs, such as salaries, benefits and bonuses. Additionally, these categories include intangible amortization, amortization expense, interest expense, software costs, professional fees and share-based compensation.

Operating Results

Comparison of Results of Operations for the three months ended September 30, 2024 and September 30, 2023

The following table summarizes our results of operations for the three months ended September 30, 2024 and 2023:

**For the Three
Months Ended
September 30,**

	2024	2023
Statement of Operations and Comprehensive Loss Data:		
Revenue	\$ 3,848	\$ 22,950
Cost of revenues	-	23,570
Gross Margin	3,848	(620)
Expenses		
Research and development	11,462	272,111
Selling, general and administrative	521,410	1,617,161
Total Operating Expenses	532,872	1,889,272
Operating loss	(529,024)	(1,889,892)
Other income (expense)	73	354,105
Net loss	(528,951)	(1,535,787)
Other total comprehensive loss:		
Change in foreign currency translation, net of tax	(52,823)	(4,814)
Total comprehensive loss	\$ (581,774)	(1,540,601)
Basic and diluted loss per share to shareholders	\$ (0.22)	\$ (1.99)

Revenue

Our revenues are derived primarily from software licensing. Revenue was \$3,848 for the three month period ended September 30, 2024, representing a decrease of \$19,102, or 83%, from \$22,950 for the three month period ended September 30, 2023. The decrease was primarily due to a significant reduction in the number of clients from September 30, 2023 to September 30, 2024.

Cost of revenues

Cost of revenues was none for the three month period ended September 30, 2024, representing a decrease of \$23,570, or 100%, from \$23,570 for the three month period ended September 30, 2023. The decrease was in line with the decrease in revenue

Research and development

Research and development was \$11,462 for the three month period ended September 30, 2024, representing a decrease of \$260,649, or 96%, from \$272,111 for the three month period ended September 30, 2023. The decrease was primarily due to significant reductions in staff related to our company restructuring.

Selling, general and administrative

Selling, general and administrative was \$521,410 for the three month period ended September 30, 2024, representing a decrease of \$1,095,751, or 68%, from \$1,617,161 for the three month period ended September 30, 2023. The decrease was primarily due to a decrease in payroll as the Company reduced head count and a decrease in professional fees.

Loss from Operations

Loss from operations was \$529,024 for the three month period ended September 30, 2024, representing a decrease of \$1,360,868, or 72%, from \$1,889,892 for the three month period ended September 30, 2023. The decrease was primarily the result of decreased spend on professional fees and payroll.

Operating Results

Comparison of Results of Operations for the nine month period ended September 30, 2024 and September 30, 2023

The following table summarizes our results of operations for the nine months ended September 30, 2024 and 2023:

	For the Nine months Ended September 30,	
	2024	2023
Statement of Operations and Comprehensive Loss Data:		
Revenue	\$ 57,288	\$ 236,953
Cost of revenues	40,277	79,497
Gross Margin	17,011	157,456
Expenses		
Research and development	118,077	1,056,918
Selling, general and administrative	3,429,062	4,473,710
Total Operating Expenses	3,547,139	5,530,628
Operating loss	(3,530,128)	(5,373,172)
Other income/(expense)	(248)	354,105
Net loss	(3,530,376)	(5,019,067)
Other total comprehensive income (loss):		
Change in foreign currency translation, net of tax	28,660	23,383
Total comprehensive loss	\$ (3,501,716)	(4,995,684)

Revenue

Our revenues are derived primarily from software licensing. Revenue was \$57,288 for the nine month period ended September 30, 2024, representing a decrease of \$179,665, or 76%, from \$236,953 for the nine month period ended September 30, 2023. The decrease was primarily due to a significant reduction in the number of clients from September 30, 2023 to September 30, 2024.

Cost of revenues

Cost of revenues was \$40,277 for the nine month period ended September 30, 2024, representing a decrease of \$39,220, or 49%, from \$79,497 for the nine month period ended September 30, 2023. The decrease was in line with the decrease in revenue.

Research and development

Research and development was \$118,077 for the nine month period ended September 30, 2024, representing a decrease of \$938,841, or 89%, from \$1,056,918 for the nine month period ended September 30, 2023. The decrease was primarily due to a reduction in staffing levels, including a large portion of our engineering staff, and a reduction in software costs.

Selling, general and administrative

Selling, general and administrative was \$3,429,062 for the nine month period ended September 30, 2024, representing a decrease of \$1,044,648, or 23%, from \$4,473,710 for the nine month period ended September 30, 2023. The decrease was primarily due to a decrease in payroll as the Company reduced head count and a decrease in professional fees.

Loss from Operations

Loss from operations was \$3,530,128 for the nine month period ended September 30, 2024, representing a decrease of \$1,843,044, or 34%, from \$5,373,172 for the nine month period ended September 30, 2023. The decrease was primarily the result of decreased spend on professional fees and payroll.

Inflation

The effect of inflation on our revenue and operating results was not significant.

Liquidity and Capital Resources

We had cash of \$471,248 and a working capital surplus of \$1,215,990 as at September 30, 2024, compared to a cash position of \$4,689,007 and working capital surplus of \$4,546,227 as at December 31, 2023. The decrease in our cash position and decrease in working capital surplus was related to using cash to fund operations and ongoing losses.

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- future indebtedness and the interest we are obligated to pay on this indebtedness;
- the availability of public and private debt and equity financing;
- changes in exchange rates which will impact our generation of cash flows from operations when measured in CAD; and
- our capital expenditure requirements.

Overview

Since inception, we have incurred significant operating losses. For the years ended December 31, 2023 and 2022, we incurred net losses of approximately \$10.5 million and \$22.4 million, respectively. For the nine months ended September 30, 2024 the company incurred a net loss of \$3.5 million. During such periods, we have financed our operations primarily through an initial public offering of our common shares in January 2021 and subsequent public offerings, registered direct offerings, and private placements. In February 2023, we completed a registered direct offering of our common shares in which we received gross proceeds of \$2.25 million and net proceeds of approximately \$2 million. In October 2023, we completed a public direct offering of our common shares in which we received gross proceeds of approximately \$3 million and net proceeds of approximately \$2.5 million. In November 2023, we completed a private placement of our equity securities in which we received gross proceeds of \$2.6 million. Throughout 2023, we received approximately \$4.6 million in proceeds from warrant exercises. Our cash and cash equivalents as of December 31, 2023 was \$4.7 million. Our primary cash needs are for working capital requirements, capital expenditures and to fund our operations.

We are subject to the risks and uncertainties associated with a new business. We believe that our current resources and the expected revenues from operations will be insufficient to fund our planned operations for the next twelve months. The report of our independent registered public accounting firm on our consolidated financial statements for the year ended December 31, 2023 stated that our recurring losses from operations, accumulated deficit as of December 31, 2023, inability to achieve positive cash flows from operations and inability to fund day to day activities through operations indicates that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern.

While we plan to increase our cash flow from our operations to address some of our liquidity concerns, to date we have been unable to do so and are experiencing declining revenues. Accordingly, we are evaluating other strategic alternatives. However, to execute our business plan and implement our business strategy, we anticipate that we will need to obtain additional financing and may choose to raise additional funds through public or private equity or debt financings, a bank line of credit, borrowings from affiliates or other arrangements. We cannot be sure that any additional funding, if needed, will

be available on terms favorable to us or at all. Furthermore, any additional capital raised through the sale of equity or equity-linked securities may dilute our current shareholders' ownership in us and could also result in a decrease in the market price of our common shares. The terms of those securities issued by us in future capital transactions may be more favorable to new investors and may include the issuance of warrants or other derivative securities, which may have a further dilutive effect. Furthermore, any debt financing, if available, may subject us to restrictive covenants and significant interest costs. There can be no assurance that we will be able to raise additional capital, when needed, to continue operations in their current form. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, including reductions in our research and development expenses or headcount reductions, which could adversely affect our ability to implement our business plan and ultimately our viability as a company, or we may be forced to liquidate the company.

Cash Flows

The following summarizes the key components of our cash flows for the nine months period ended September 30, 2024 and 2023:

	Nine months Period Ended September 30, 2024	Nine months Period Ended September 30, 2023
Net cash used in operating activities	\$ (4,255,345)	\$ (4,355,723)
Net cash used in investing activities	-	(14,106)
Net cash provided by financing activities	-	5,362,978
Effect of exchange rates	37,586	(3,198)
Net increase (decrease) in cash	<u>\$ (4,217,759)</u>	<u>\$ 989,951</u>

Operating Activities

Net cash used in operating activities for the nine month period ended September 30, 2024 was \$4,255,345 as compared to \$4,355,723 for the nine month period ended September 30, 2023. The decrease in cash used in operating activities was primarily attributable to the change in our net loss of \$1,436,364 offset by increase in non-cash stock compensation offset by a decrease in amortization of intangible assets.

Investing Activities

Net cash used in investing activities for the nine month period ended September 30, 2024 was none as compared to \$14,106 for the nine month period ended September 30, 2023. The change in cash flow used in investing activities was primarily attributable to a significant reduction in payroll capitalized for the development of intangible assets.

Financing Activities

Net cash provided by financing activities was none for the nine month period ended September 30, 2024 as compared to \$5,362,978 for the nine month period ended September 30, 2023. The change in cash flow provided by financing activities was mainly attributable to proceeds we received from the issuance of common shares, net of issuance costs, exercise of warrants and options, which was offset by repayments on notes payable and lease liabilities in 2023.

Indebtedness

Notes Payable

From 2017 to December 31, 2022, we issued \$4,750,818 aggregate principal amount of promissory notes primarily to Brian Tingle, one of our directors. The notes bore interest at the prime rate of the Bank of Canada, which has ranged from 2.45% to 3.95% per annum, compounded annually, that was payable quarterly, and had a maturity date of three years from the date of issuance. As of December 31, 2023, all loans have been repaid and we had recorded \$0 in accrued interest that was included in accounts payable and accrued liabilities.

Critical Accounting Policies and Estimates

The preparation of 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:

Estimate for excess credit losses

We apply the Current Expected Credit Loss (CECL) model under ASC 326 for impairment of financial assets. This model requires the recognition of an allowance for credit losses based on expected losses over the life of the asset. If the credit risk of a financial asset decreases in a subsequent period, any previously recognized impairment loss is reversed through profit or loss, limited to the extent that the carrying amount does not exceed what the amortized cost would have been had the impairment not been recognized.

Deferred financing costs

Deferred financing costs consist primarily of direct incremental costs related to our public offerings of our common stock completed in February 2023. Upon completion of our public offering and financing any deferred costs were offset against the proceeds.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in the consolidated statements of operations and comprehensive loss. The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment. For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is calculated starting on the date that property and equipment is available for its intended use.

Intangible assets

Intangible assets acquired separately were measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations (Xcite Interactive) or asset acquisitions were initially recognized at fair value as at the date of acquisition. After initial recognition, intangible assets were carried at cost less accumulated amortization and any accumulated impairment charges.

Income taxes

We account for income taxes utilizing the assets and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and net operating loss and tax credit carry forwards, using enacted tax rates and laws that are expected to be in effect when the differences reverse.

A valuation allowance is recorded against deferred tax assets (DTA's) when management does not believe that the realization of DTA's is more likely than not. While management believes that its judgements and estimates regarding deferred tax assets and liabilities are appropriate, significant differences in actual results may materially affect our future financial results.

We recognize any uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon audit by relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2024 and 2023, we did not record any accruals for interest and penalties. We do not foresee material changes to our uncertain tax positions within the next twelve months.

Determination of share-based payments

The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. We use the Black-Scholes valuation model at the date of the grant. We make estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Deferred revenues and revenue recognition

Revenue recognition of sales is recorded on a monthly basis upon delivery or as the services are provided. Cash received in advance for services are recorded as deferred revenue based on the proportion of time remaining under the service arrangement as of the reporting date.

Functional currency

The functional currency for each of our subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. We reconsider the functional currency of our subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required under Regulation S-K for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of September 30, 2024, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes to the risk factors set forth in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024 (our "Annual Report"). Our business involves significant risks. You should carefully consider the risks and uncertainties described in our Annual Report, together with all of the other information in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report. The risks and uncertainties described in our Annual Report are not the only ones we face, and additional risk and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects as well as our ability to accomplish our strategic objectives. In that event, the market price of our common shares could decline and you could lose part or all of your investment.

If we do not successfully raise additional capital, improve our operating cash flow, or complete a strategic transaction, our board of directors may decide to pursue a dissolution and liquidation of our Company. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such liquidation as well as the amount of cash that must be reserved for commitments and contingent liabilities, as to which we can give you no assurance.

There can be no assurance that we will successfully raise additional capital, that we will improve our operating cash flow, or that we will be able to complete a strategic transaction. If none of those occur, our board of directors may decide to pursue a dissolution and liquidation of our Company. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such decision and, ultimately, such liquidation, since the amount of cash available for distribution continues to decrease as we fund our operations while pursuing a financing, improved operations, or a strategic transaction. As of September 30, 2024, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations and as such, there is substantial doubt as to the Company's ability to continue as a going concern.

In addition, we may be subject to litigation or other claims related to a dissolution and liquidation of our Company. If a dissolution and liquidation were to be pursued, our board of directors, in consultation with our advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of our common stock could lose all or a significant portion of their investment in the event of a liquidation, dissolution or winding up of our Company. A liquidation would be a lengthy and uncertain process with no assurance of any value ever being returned to our stockholders.

If we are unable to regain compliance with the listing requirements of the Nasdaq Capital Market, our common stock may be delisted from the Nasdaq Capital Market which could have a material adverse effect on our financial condition and could make it difficult for you to sell your shares.

Our common stock is listed on the Nasdaq Capital Market, and we are therefore subject to its continued listing requirements, including requirements with respect to the market value of publicly held shares, market value of listed shares, minimum bid price per share, and minimum stockholders' equity, among others, and requirements relating to board and committee independence. If we fail to satisfy one or more of the requirements, we may be delisted from the Nasdaq Capital Market.

On September 16, 2024, we received a notice, or Notice, from the Nasdaq Stock Market, or Nasdaq, that we are not currently in compliance with the \$1.00 minimum bid price requirement for continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2), or the Minimum Bid Price Requirement. The Notice indicated that, consistent with Nasdaq Listing Rule 5810(c)(3)(A), we have 180 days, or until March 16, 2025, to regain compliance with the Minimum Bid Price Requirement by having the bid price of our common stock meet or exceed \$1.00 per share for at least ten consecutive business days. The Notice had no immediate effect on the listing of our common stock, and our common stock continues to trade on the Nasdaq Capital Market under the symbol "VS" at this time.

In the event we do not regain compliance with the Minimum Bid Price Requirement by March 16, 2025, we may be eligible for an additional 180 calendar day compliance period if, on the last day of the initial compliance period, we meet the market value of publicly held shares requirement for continued listing as well as all other standards for initial listing of our common stock on The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and provide Nasdaq written notice of our intention to cure the bid price deficiency during the second compliance period. If we do not indicate our intent to cure the deficiency, or if it appears to Nasdaq that it is not possible for us to cure the deficiency, we will not be eligible for the second compliance period and our common stock will become subject to delisting. In the event that we receive notice that our common stock is being delisted, the Nasdaq listing rules permit us to appeal a delisting determination by the staff to a hearings panel.

We intend to actively monitor the bid price of our common stock and will consider available options to regain compliance with the listing requirements, including such actions as effecting a reverse stock split, for which our board of directors has received stockholder approval. There can be no assurance, however, that we will be able to regain compliance with the Minimum Bid Price Requirement, and even if we do, there can be no assurance that we will be able to maintain compliance with the continued listing requirements for the Nasdaq Capital Market or that our common stock will not be delisted in the future. In addition, we may be unable to meet other applicable listing requirements of the Nasdaq Capital Market, including maintaining minimum levels of stockholders' equity or market values of our common stock in which case, our common stock could be delisted notwithstanding our ability to demonstrate compliance with the Minimum Bid Price Requirement.

Delisting from the Nasdaq Capital Market may adversely affect our ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade our securities and may negatively affect the value and liquidity of our common stock. Delisting also could have other negative results, including the potential loss of employee confidence, the loss of institutional investors or interest in business development opportunities.

If we are delisted from Nasdaq and we are not able to list our common stock on another exchange, our common stock could be quoted on the OTC Bulletin Board or in the "pink sheets." As a result, we could face significant adverse consequences including, among others:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;

- a limited amount of news and little or no analyst coverage for us;
- an inability to qualify for exemptions from state securities registration requirements, which may require us to comply with applicable state securities laws; and
- a decreased ability to issue additional securities (including pursuant to registration statements on Form S-3) or obtain additional financing in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None .

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Item 6. Exhibits

The following documents are filed as a part of this report or incorporated herein by reference:

Exhibit Number	Description
3.1	Notice of Articles of Versus Systems Inc. (incorporated by reference to Exhibit 3.1 to the Report on Form F-1 filed by the Company on November 20, 2020).
3.2	Articles of Versus Systems Inc. (incorporated by reference to Exhibit 3.2 to the Report on Form F-1 filed by the Company on November 20, 2020).
10.1	Subscription Agreement and form of Warrant with ASPIS Cyber Technologies, Inc., dated as of October 16, 2024 (incorporated by reference to Exhibit 10.3 to the Post-Effective Amendment #1 to Form S-4 filed by the Company on November 8, 2024).
10.2	Technology License and Software Development Agreement with ASPIS Cyber Technologies, Inc., dated as of October 7, 2024 (incorporated by reference to Exhibit 10.4 to the Post-Effective Amendment #1 to Form S-4 filed by the Company on November 8, 2024).
10.3	Business Funding Agreement with ASPIS Cyber Technologies, Inc. with ASPIS Cyber Technologies, Inc., dated as of October 7, 2024 (incorporated by reference to Exhibit 10.5 to the Post-Effective Amendment #1 to Form S-4 filed by the Company on November 8, 2024).
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certifications of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VERSUS SYSTEMS INC.

Date: November 14, 2024

/s/ Luis Goldner
Luis Goldner
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

/s/ Geoff Deller
Geoff Deller
Chief Financial Officer
(Principal Financial and
Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Luis Goldner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Versus Systems Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ Luis Goldner

Name: Luis Goldner

Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Geoff Deller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Versus Systems Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ Geoff Deller
Name: Geoff Deller
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Luis Goldner, Chief Executive Officer of Versus Systems Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of Versus Systems Inc. for the three-month period ended September 30, 2024 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Versus Systems Inc.

Date: November 14, 2024

By: /s/ Luis Goldner

Name: Luis Goldner

Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Geoff Deller, Chief Financial Officer of Versus Systems Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of Versus Systems Inc. for the three-month period ended September 30, 2024 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Versus Systems Inc.

Date: November 14, 2024

By: /s/ Geoff Deller
Name: Geoff Deller
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)