As Filed with the Securities and Exchange Commission on May 28, 2021

Registration No. 333-250868

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

Post-Effective Amendment No. 1
to

Form F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VERSUS SYSTEMS INC.

(Exact Name of Registrant as Specified in its Charter)

Not Applicable
(Translation of Registrant's Name into English)

British Columbia	7374	Not Applicable
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1558 West Hastings Street
Vancouver BC V6G 3J4 Canada
(604) 639-4457
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Matthew Pierce
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6701 Center Drive West, Suite 480
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(310) 242-0228
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

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New York, NY 10036
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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 7(a)(2)(B) of the Securities Act ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Versus Systems Inc., a corporation incorporated under the laws of British Columbia (the "Company" or the "Registrant") filed a registration statement with the Securities and Exchange Commission (the "SEC") on Form F-1 (Registration number 333-253450) which was declared effective by the SEC on January 14, 2021 (the "Form F-1").

This Post-Effective Amendment No. 1 is being filed by the Registrant (i) to include in the Form F-1 the Registrant's audited financial statements for the year ended December 31, 2020 filed with the SEC on May 5, 2021 and the Registrant's unaudited financial statements for the three month period ended March 31, 2021 and 2020 filed with the SEC on May 19, 2021 and (ii) to include certain other information in the Form F-1. This Post-Effective Amendment contains an updated prospectus relating to the offer and sale of the Registrant's common shares issuable upon exercise of outstanding warrants.

All filing fees payable in connection with the registration of the securities registered by the Form F-1 were paid by the Registrant at the time of the initial filing of the Form F-1 or subsequent pre-effective amendments thereto.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS **SUBJECT TO COMPLETION** **DATED MAY 28, 2021**

3,353,349 Shares

VERSUS SYSTEMS INC.

We are offering 3,353,349 of our common shares, no par value ("common shares"), of which (i) 1,495,341 shares are issuable upon the exercise of our outstanding Unit A Warrants (each a "Unit A Warrant") at an exercise price per common share of US$7.50, (ii) 1,474,008 shares are issuable upon the exercise of our outstanding Unit B Warrants (each a "Unit B Warrant") at an exercise price per common share of US$7.50, and (iii) 384,000 shares are issuable upon the exercise of our outstanding warrants issued to Lake Street Capital Markets, LLC (each a "Lake Street Warrant" and, together with the Unit A Warrants and the Unit B Warrants, the "Warrants") at an exercise price per common share of US$7.50. The Warrants were offered and sold by us pursuant to a prospectus dated January 14, 2021 as part of a public offering of our Units consisting of our common shares, Unit A Warrants and Unit B Warrants. No securities are being offered pursuant to this prospectus other than the common shares that will be issued upon the exercise of the Warrants.

In order to obtain the common shares offered hereby, holders of Warrants must pay the applicable exercise price. The Warrants were exercisable upon issuance, and will expire, in the case of the Unit A Warrants and the Lake Street Warrants, on January 20, 2026 and, in the case of the Unit B Warrants and the Lake Street Warrants, on January 20, 2022.

Our common shares are presently quoted on The Nasdaq Capital Market, or Nasdaq, under the symbol "VS". On May 27, 2021, the last reported sale price for our common shares on Nasdaq was US$6.98.

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and a "foreign private issuer" under applicable Securities and Exchange Commission rules and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings. See "Prospectus Summary – Implications of Being an Emerging Growth Company and a Foreign Private Issuer."

Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page 9 of this prospectus for a discussion of information that should be considered in connection with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2021.

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ABOUT THIS PROSPECTUS

The registration statement as of which this prospectus forms a part that we have filed with the Securities and Exchange Commission, or SEC, includes exhibits that provide more detail of the matters discussed in this prospectus.

You should read this prospectus and the related exhibits filed with the SEC, together with the additional information described under the heading "Where You Can Find Additional Information."

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus. This prospectus is an offer to sell only the securities offered hereby but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

We are not offering to sell or seeking offers to purchase these securities in any jurisdiction where the offer or sale is not permitted. We have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the jurisdiction of the United States who come into possession of this prospectus are required to inform themselves about and to observe any restrictions relating to this Offering and the distribution of this prospectus applicable to that jurisdiction.

Unless the context otherwise requires, the terms " our company," "Company, " "we," "us" and "our" refer to Versus Systems Inc. and its consolidated subsidiaries.

All service marks, trademarks and trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ®, © and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

We publish our consolidated financial statements in Canadian dollars. In this prospectus, unless otherwise specified, all references to "$" and "C$" mean Canadian dollars and all references to "US$," "USD" and "dollars" mean United States dollars.

This prospectus includes our audited annual consolidated financial statements, or the "Financial Statements." Our audited consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 were prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, the independent, private-sector body that develops and approves IFRS, and Interpretations issued by the International Financial Reporting Interpretations Committee, or IFRIC. None of the financial statements were prepared in accordance with generally accepted accounting principles in the United States.

Unless indicated otherwise, our financial information in this prospectus has been prepared on a basis consistent with IFRS as issued by the International Accounting Standards Board. In making an investment decision, investors must rely on their own examination of our results and consult with their own professional advisors.

The share and per share information in this prospectus reflects the one-for-16 reverse stock split of our outstanding common shares that became effective on December 15, 2020.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

PROSPECTUS SUMMARY

This summary highlights principal features of this offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our securities. You should read this entire prospectus carefully, including the information presented under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision.

OUR BUSINESS

Overview

We offer a proprietary business-to-business software platform that allows video game publishers and developers, as well as other interactive media content creators, to offer in-game prizing and rewards based on the completion of in-content challenges. The prizes or rewards offered are specific to each player or viewer based on a variety of user- and content-based characteristics, including age, location, game played and challenge undertaken. Our platform facilitates several types of single player prize challenges that includes a wide range of prize types, including coupons, sweepstakes-style prizes, consumer packaged goods ("CPG") and downloadable content ("DLC").

We believe our platform is mutually-beneficial across three target groups. By providing in-content prizes or rewards, content providers gain increased and longer interaction by users or viewers with the media experience they offer. Consumer brands offering in-content prizes or rewards see a prolonged and increased interest from players and consumers who view their goods as a positive "win" within their viewing experience rather than as a distraction from the content they are watching as is typically the case with traditional in-content advertising. Players and consumers who are offered prizes or rewards have an increased desire to interact with such content, which increases the value of the content as a supplier of prizing opportunities, of the brands that offer the prizes, and of the experience itself as an interactive and desirable challenge.

We market our platform and its benefits to two industry segments: the owners or developers of consumer brands and their marketing and advertising professionals and for media content creators, owners and platforms. To the owners or marketers of consumer brands, we sell the opportunity to place their products as prizes or rewards in selected on-line games, media or content and we share a certain percentage of the gross receipts we receive from such customers with the owners of the media in which the prizes or rewards are offered. Our current agreements with the owners or marketers of consumer brands provide that we are paid a fee to place their ads in content, the amount of which is based either on the number of ads placed or upon the performance of those ads relative to the brand's goals.

To content creators, owners and platforms, which currently include primarily video game developers and computer hardware manufacturers, we sell the opportunity to include our proprietary platform in their content or hardware and to use such platform as a basis for selling advertising to popular consumer brands. We also sell any engineering and consulting services to support the integration of our platform, including any custom development efforts that might be required. To date, our revenues have principally come from these customization and integration services. Our current agreements with content or game owners, including HP, Kast and Animoca Brands, provide that from 50% to 60% of advertising revenue will be kept by, or shared with, the publisher or developer, with the remaining 50% to 40% of gross receipts belonging to us. HP, our largest customer during the years ended December 31, 2020, 2019, and 2018 installs our platform in its OMEN and Pavilion brands of personal computers that are manufactured primarily for gamers and general use as a means of increasing usage and desirability of those computers by consumers.

Our platform allows consumers to become active advertising participants by seeking to claim the brand's prizes or rewards as victories won through interactions with a variety of media experiences. Users are no longer "just" winning a game or streaming their favorite film. These interactions now bestow bragging rights on the consumers that extend past the media's original purpose, resulting in winning real world goods and gaining access to experiences.

According to a 2018 study by the University of California, Los Angeles Center for Management of Enterprise in Media, Entertainment and Sports, the introduction of rewards benefits content providers, brands and players in the following perspectives, leading to:

- 34% more play time;
- 77% more live viewers;
- 97% higher satisfaction while interacting with a virtual entertainment experience (i.e., video games);
- 10% increase in audience - 10% of players are new players, downloading the game for the first time because of prizes; and
- 4+ hours of additional engagement per week.

Our technology facilitates advertising as a narrative, not as a distraction. By creating an environment that makes brands part of a desired experience - winning prizes or rewards - we empower content providers and brands to engage consumers more effectively and for more extended periods of time.

Our Strengths

While we believe our overall value is generated from our ability to directly increase player and viewer engagement, we see the following as our core strengths:

- ***Choice and Earned-Rewards is a Better Model for Players***. While we sell our ad units to agencies, brands and companies that seek to reach media players and viewers, our primary goal will always be to make games and media experiences more fun. Our objective is to build ad units that do not increase viewer/player churn, but in fact increase player engagement. We believe our focus on how the player views the experience - offering them choice and an opportunity to both earn the reward and achieve the gratification of a successful win - will be the key differentiator in the in-game and in-app advertising market. While other competitors in the advertising industry may have more reach at the moment, we believe the increasing numbers of players who want the superior experience of rewards rather than banner ads, commercials and un-skippable videos will ultimately win out.

- ***Our Team is Diverse, Accomplished and Effective***. We have brought together experts in the game industry, software development, advertising, product design and development, and corporate finance. Our Executive Chair, Keyvan Peymani, was the Head of Startup Marketing for Amazon Web Services, and our advisory board includes the former Vice President of Revenue for Activision Blizzard, the Chief Executive Officer of Radley Media, and a number of veterans of the global gaming industry. Our designers and engineers have built hundreds of successful products from games and apps, including the NFL.com fantasy football platform. We are curious, creative, community-oriented problem solvers who have come together to make a world-class software solution. As a result, we have won multiple awards as one of the best places to work in Los Angeles, and one of the best places to work anywhere for millennial women. We are extremely proud of our team and our culture. We believe it allows us to hire, retain, promote and develop the very best talent.

- ***Our Technology is Robust, Scalable and Flexible***. We have architected a platform that will allow any content publisher to integrate real-world prizes into their system, and allow any brand or agency to place their products, discounts, codes and coupons into an earned-rewards framework. We have software development kits that are compatible with millions of games, and apps, as well as ways to work with iOS and Android devices, PCs, consoles, Apple TVs, and other peripherals. The back end of our platform is built in Elixir by some of the world-experts in that language. The Elixir back end allows the type of massively scalable system that will be required for AAA games and app partners with millions of users. The strengths of the code base are its ability to manage huge numbers of concurrent users with localized failure - such that if there is an issue with a single player's match it does not affect larger portions of the system. We can add new features, new games, entire new verticals easily. We can also adapt to changing regulatory environments around prizing, sweepstakes, privacy and other issues by managing our geofencing for where any given prize is offered. Our Dynamic Regulatory Compliance system is the direct result of years of thoughtful system architecture and development - an achievement that we believe sets us apart from competitors.

- ***Our IP portfolio is Strong and Growing***. We have been issued two key patents from the U.S. Patent and Trademark Office (USPTO) with dozens of granted claims around how to offer players prizes in-game at scale. We have been awarded claims covering how to maintain and promote competitive balance in multiplayer games, how to use multi-factor tests to serve up only relevant prizing on a per-player basis, how to use a player's location, game, and age to determine eligibility for certain kinds of prizes in certain kinds of single player games, competitive games, tournaments, synchronous and asynchronous matches. We have several other patent filings in various stages at the USPTO and we are working with our technology and legal teams to develop new and defensible IP in this space. We want to be the only real solution for global in-game and in-app rewards.

- ***The Support of Our Partners Helps US Grow***. Our rewards platform is currently deployed in all HP OMEN and HP Pavilion Gaming laptops and desktop computers in the U.S., and we launched our platform in China with HP in August 2020. Our multi-year agreement with HP is to bring rewards to all their players worldwide as a way to differentiate HP hardware and to engage with a massive global audience. Beyond HP, we are also partnered with Animoca Brands, a developer of games that have been downloaded hundreds of millions of times. We have also partnered with Ludare, a licensed mobile game developer that makes licensed games for titles in the *Men in Black* series. Beyond gaming, we are working with Kast, a video sharing application with millions of viewers, and are developing partnerships in the fitness/health and wellness industries. As we grow our user base, we believe we will become more desirable for brand and advertising partners and we expect to increase our transactional revenues exponentially while staying on a capital-efficient low-cost trajectory.

Our Growth Strategy

While other forms of advertising technology focus mostly upon increasing monetization only for the advertiser, we believe we change the universe of beneficiaries significantly. Our approach creates simultaneous wins for content providers, brands and consumers. We believe today's audiences not only seek engagement, but are also consummate purveyors of media, with no shortage of content choice. We recognize that keeping engagement high is the key to changing the negative association of traditional media advertising. By creating a prizing opportunity, brand introductions mean a chance to win rather than switching to another tab, source or device while waiting for selected content to return.

Our growth strategy can be summarized into three areas: grow the audience, grow the prize provider pool, and then constantly iterate and improve.

The key elements of our long-term growth strategy include:

- ***Increase Applications and Verticals***. To grow our user base, we will seek to increase the number of games, applications and content providers that have integrated our platform across an increasing number of industries. Part of that process will involve making our platform easier to integrate into the wide variety of media, which we are doing, but the rest is putting our value proposition in front of a larger group of game and app developers. Integrating into new categories and industries allows us a greater pool of potential applications with which to integrate, and therefore a greater pool of potential users. We intend to focus on gaming, streaming media, and health & wellness applications, but may seek to expand to other verticals as opportunities arise. We believe this will significantly grow our user base.

- ***Integrate into More Devices and Software Languages***. Our platform is currently available in applications running on laptops and desktops, as well as in mobile devices powered by iOS and Android operating systems through a series of software development kits (SDKs) which we have created. We strive to make our rewards platform available to, and compatible with, all kinds of devices. The current engineering roadmap includes additional support for the tens of millions of console gaming systems like the new Xbox and PlayStation consoles. We are also developing features for a number of wearable devices that are in the marketplace, which we believe will increase our user base in the health & wellness vertical.

- ***Develop a Global Reach***. The United States is one of the world's largest gaming markets, with nearly $37 billion in annual revenue according to a Newzoo 2020 Global Games Report. We intend to deepen our penetration of the U.S. market. However, we believe there is significant opportunity for expansion of our offerings into the rest of the world, starting with Asia and Europe. In August 2020, our platform became available for the first time in China, and we plan to expand in Asia and move into Europe in 2021. Because our platform is built to optimize value for a player based on his or her location, we believe we are uniquely positioned to offer location-specific rewards and prizes for players all over the world. As we move into new geographies, we believe we will gain new players and new brands and prize providers that can offer real, local value.

- ***Add More Prizing Partners***. Increasing the number of prize providers - the largest growth area for our company - and the one that will be the most lucrative - is at the center of our growth strategy. We have built out a sales team and we are adding both salespeople and sales assets to pursue both agencies and individual vendors who may want to use our platform to promote their businesses. At the same time, we are also working to make our tools easier for prizing partners to use - including building functionality for businesses that use e-commerce platforms such as the Shopify platform, and for others who want to self-direct their prizing campaigns.

- ***Constantly Improve Outcomes***. We are dedicated to improving the quality of the outcomes for our partners. We have developed a number of tools to evaluate the efficacy of each advertising campaign, and part of our value to our brand partners is providing them with anonymized but actionable information on each of their campaigns on our platform. Our analytics are focused on response rates, transaction rates, customer acquisition cost, and many other aspects of the step-by-step funnel from activation to registration, all the way through to lifetime customer value. We continually review outcomes and if there is a way to improve the transaction rate - to get winners, players or viewers to engage with our brand partners while retaining our core goal of making the media more fun - then we will make the necessary changes to improve those outcomes. This core tenet of our approach requires dedication to research, player and user outreach, surveys, and constant design improvements. We believe this strategy will produce yields in loyalty, affinity and Return on Ad Spend (ROAS) for our partners, which will drive future growth.

- ***Grow Revenues and Market Share***. We are always looking for opportunities to grow through selective acquisitions and while much of our current roadmap is devoted to organic growth, we are also aware of a number of potential partnerships through which we may gain market share through inorganic growth via selective acquisition. Performance marketing is a growing field, as is interactive media advertising, and there may be opportunities to grow our sales team, our service offerings or our reach through acquisition.

Our Services

In addition to licensing our prizing and rewards platform, we provide the following services to our partners and customers:

- ***Design, Development, and Platform Integration Services***. Our patented platform can be integrated into games and interactive media through a number of Software Development Kits (SDKs), including SDKs for iOS, Android, Unity, C++ and others. We also work with partners such as HP to develop bespoke instances of our rewards platform, as we did with their OMEN Rewards system available inside OMEN Command Center in every HP OMEN and Pavilion gaming desktop and laptop. We also offer professional design, development and platform integration services to content partners who seek a more bespoke solution.

- ***White-Label Rewards Platforms***. Our technology can be easily integrated into mobile apps to track any behavior that a content, publishing, or health and fitness program partner may want to incentivize. We can also white label and/or license technologies like our stand-alone mobile app to enable partners to create an entire rewards ecosystem where activities in one application earn rewards or discounts from another part of the same company. For example, we can assist a partner in creating a mobile app that would allow a consumer to earn movie tickets to a comic book movie for purchasing or reading the online comic, or a consumer to earn discounts on in-stadium concessions or on team apparel for playing a sports trivia game or for watching games live on his or her mobile device. We work with content partners to create entire in-house rewards programs for their users that promote cross-sales within a company, or new channels for the sale of licensed goods, or new opportunities for event or brand sponsors. Our systems and applications can be white labeled and sold as a rewards platform for those partners looking to increase engagement and stickiness with their customers.

- ***Advertising services***. In connection with the placement or licensing of our platform, we market our services to brand partners to place their products, discounts or coupons into Versus-enabled content so that users, viewers and players can earn those rewards for their in-game or in-app behavior. When providing those services, we typically charge the brand only when a player attempts to win one of the brand's proffered prizes. However, in certain cases may also charge on a cost-per-click (CPC), cost-per-engagement (CPE) or a cost per acquisition (CPA) model.

Corporate History and Structure

Versus Systems Inc., a corporation formed under the laws of British Columbia, was formed by way of an amalgamation under the name McAdam Resources, Inc. in the Province of Ontario on December 1, 1988 and subsequently extra-provincially registered in British Columbia on February 2, 1989. We changed our name to Boulder Mining Corporation on May 9, 1995 in Ontario and on September 25, 1996 in British Columbia. We continued into British Columbia on January 2, 2007 and concurrently changed our name to Opal Energy Corp. We changed our name to Versus Systems Inc. on June 30, 2016, and concurrently ceased or divested our mining related business and began operating our current software platform business. We operate through our majority-owned subsidiary, Versus LLC, a Nevada limited liability company that was organized on August 21, 2013. Our principal executive offices in Canada are located at 1558 Hastings Street, Vancouver, British Columbia V6G 3J4 Canada, and our telephone number is (604) 639-4457. Our principal executive offices in the United States are located at 6701 Center Drive West, Suite 480, Los Angeles, CA 90045, and our telephone number at that address is (424) 226-8588. Our website address is *www.versussystems.com*. The information on or accessed through our website is not incorporated in this prospectus. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issues that file electronically with the SEC.

Over 2018, 2019, and 2020, we principally developed and operated a business-to-business software platform that allows video game publishers and developers, as well as other interactive media content creators, to offer in-game prizing and rewards based on the completion of in-content challenges. We spent approximately $5.2M during those years to develop the system, and $15.8M to operate it along, including the general company operations. We are continuing to develop and operate this system and have similar-to-previous-years expenditures in progress. We operate principally in the United States of America where we develop and operate our software platform. We operate our corporate finance and treasury functions in Canada. We maintain these operations through the issuance of securities to raise capital.

The following chart reflects our organizational structure (including the jurisdiction of formation or incorporation of the various entities):

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest
Versus Systems (Holdco), Inc.	United States of America	66.8%
Versus Systems UK, Ltd	United Kingdom	66.8%
Versus, LLC	United States of America	66.8%

Risks Associated with Our Business

Our ability to execute our business strategy is subject to numerous risks, as more fully described in the section captioned "Risk Factors" immediately following this prospectus summary. You should read these risks before you invest in our common shares and warrants. In particular, risks associated with our business include, but are not limited to, the following:

- We have a relatively limited operating history and limited revenues to date and thus are subject to risks of business development and you have no basis on which to evaluate our ability to achieve our business objective.
- We are a holding company and depend upon our subsidiaries for our cash flows.
- Future acquisitions or strategic investments could disrupt our business and harm our business, results of operations or financial condition.
- We may require additional funding for our growth plans, and such funding may result in a dilution of your investment.
- We may not have sufficient capital to fund our ongoing operations, effectively pursue our strategy or sustain our growth initiatives.
- Changes in our relationships with our most significant customer, HP, including the loss or reduction in business from HP, could have an adverse impact on us.
- Our operations are significantly dependent on changes in public and customer tastes and discretionary spending patterns. Our inability to successfully anticipate customer preferences or to gain popularity for games may negatively impact our profitability.
- If we fail to keep up with industry trends or technological developments, our business, results of operations and financial condition may be materially and adversely affected.
- If we cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, our operating results could suffer.
- We make significant investments in new products and services that may not achieve expected returns.

- If we fail to retain existing users or add new users, our results of operations and financial condition may be materially and adversely affected
- Our insurance coverage may not adequately protect us against all future risks, which may adversely affect our business and prospects.
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.
- Our executive officers, directors, security holders and their respective affiliates may have competitive pecuniary interests that conflict with our interests.
- Public health epidemics or outbreaks, such as COVID-19, could materially and adversely impact our business.
- Our business may be harmed if our licensing partners, or other third parties with whom we do business, act in ways that put our brand at risk.
- If we fail to keep our existing users highly engaged, to acquire new users, to successfully implement an award-prizes model for our user community, our business, profitability and prospects may be adversely affected.
- Our failure to protect our intellectual property rights may undermine our competitive position.
- Our business is highly dependent on the proper functioning and improvement of our information technology systems and infrastructure. Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale up and adjust our existing technology and infrastructure.

Reverse Stock Split

On December 8, 2020, our board of directors approved a one-for-16 reverse stock split of our common shares. Pursuant to applicable rules of the CSE, the reverse share split became effective on December 15, 2020. The conversion or exercise prices of our issued and outstanding convertible securities, stock options and warrants were adjusted accordingly. All share and per share amounts and the corresponding conversion price or exercise price data presented in this prospectus gives effect to such reverse stock split of our outstanding common shares.

Recent Developments

On May 11, 2021, we entered into an Agreement and Plan of Merger dated May 11, 2021 (the "Xcite Purchase Agreement") among our company, Wonkavision Merger Sub, Inc., a wholly-owned subsidiary of our company, Xcite Interactive, Inc., a Delaware corporation ("Xcite") and the stockholders' agent named therein, to acquire all of the capital stock of Xcite. Pursuant to the Xcite Purchase Agreement, we will acquire 100% of the capital stock of Xcite for a purchase price equal to USD $19 million less the amount of Xcite liabilities outstanding at the closing and the amount of Xcite's negative working capital, as described in the Xcite Purchase Agreement, which purchase price will be payable in up to 2,011,163 of our common shares, which shares will be valued for such purpose at US$7.9109 per share. In addition, we will issue an aggregate of approximately 284,418 additional common shares as retention bonuses to certain Xcite employees, which shares will also be valued at US$7.9109 per share. Our proposed acquisition of Xcite is subject to certain customary closing conditions.

We believe Xcite is an industry leader in interactive audience engagement for live events. Xcite has worked with over 150 professional teams across the NFL, NBA, NHL and MLB, as well as the World Cup, Formula1 and other live events worldwide. Xcite's XEO platform allows teams, leagues and broadcasters to include multiple types of interactivity and gaming in their broadcasts, apps, and second-screen experiences, which include trivia, polling, predictive gaming and casual mobile games. Xcite has ongoing relationships with dozens of teams and content partners that will be able to access our patented rewards platform inside their apps, streams, and broadcasts once the merger is consummated.

We believe the acquisition of Xcite will benefit our company in multiple ways. Xcite has existing partners that are in-market using its platform, which we believe will help us build our user base and our revenues. In addition, we believe Xcite's XEO platform will be an excellent fit for our rewards system. With the combined product, audiences will be able to watch their favorite teams, games, broadcasts, streams, and live events and win real-world rewards as they watch and interact with those events. The combined offering also may open up new partnerships and revenue opportunities that were previously unavailable to either company alone. We expect to work with the Xcite development team to develop new intellectual property for interactive media, grow the user bases of both companies, and offer a new combined platform that takes advantage of XEO's reach and engagement tools and enhances them with our advertising and prizing systems.

Implications of Being an Emerging Growth Company and a Foreign Private Issuer

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor internal controls attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our shareholders may not have access to certain information they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common shares held by non-affiliates exceeds US$700 million as of any November 30 before that time, in which case we would no longer be an emerging growth company as of the following May 31. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Under the Nasdaq Listing Rules, as a foreign private issuer, we may elect to follow our home country practice in lieu of the corporate governance requirements of the Nasdaq Listing Rules, with the exception of those rules that are required to be followed pursuant to the provisions of the Nasdaq Listing Rules. We have elected to follow Canadian practices in lieu of the requirements of the Nasdaq Listing Rules to the extent permitted under Nasdaq Listing Rule 5615(a)(3). We follow Canadian corporate governance practices in lieu of the corporate governance requirements of The Nasdaq Capital Market in respect of the quorum requirement for meetings of our common shareholders.

THE OFFERING

Issuer	Versus Systems Inc.
Securities offered by us:	Up to 3,353,349 of our common shares, no par value ("common shares"), of which 1,495,341 common shares are issuable upon the exercise of outstanding Unit A Warrants (each a "Unit A Warrant"), 1,474,008 common shares are issuable upon the exercise of outstanding Unit B Warrants (the "Unit B Warrants") and 384,000 shares are issuable upon the exercise of outstanding warrants issued to Lake Street Capital Markets, LLC (the "Lake Street Warrants" and, together with the Unit A Warrants and the Unit B Warrants, the "Warrants"). Please see the section entitled "Description of Securities" in this prospectus for a more detailed discussion.
Description of Warrants	The Warrants were issued on January 20, 2021, pursuant to a prospectus dated January 14, 2021. The Warrants were issued as individual warrant agreements to the holders thereof. The Warrants represent the rights to purchase one common share at an exercise price per share of $7.50.
Common shares outstanding before the offering:	13,401,659 common shares.
Common shares to be outstanding after the offering:	16,755,008, assuming all of the Warrants are exercised in full.
Use of Proceeds:	We will receive proceeds from the exercise of the Warrants but not from the sale of the underlying common shares. We intend to use any proceeds from the exercise of the Warrants for working capital and general corporate purposes. See "Use of Proceeds" on page 28 for more information.
Risk Factors:	Investing in our securities is highly speculative and involves a high degree of risk. You should carefully consider the information set forth in the "Risk Factors" section beginning on page 9 before deciding to invest in our securities.
Trading Symbol:	Our common shares are listed on The Nasdaq Capital Market under the symbol "VS" and our Unit A Warrants are listed on The Nasdaq Capital Market under the symbol "VSSYW".
Limitations on beneficial ownership:	Subject to certain limitations and exceptions, a holder (together with its affiliates) may not exercise any portion of a Unit A Warrant or a Unit B Warrant to the extent that the holder would beneficially own more than 4.99% (or, at the election of the purchaser, 9.99%) of the outstanding common shares immediately after exercise of such Warrant, except that upon at least 61 days' prior notice from the holder to us, the holder may increase the amount of ownership of outstanding stock after exercising the holder's Warrants up to 9.99% of the number of common shares outstanding immediately after giving effect to the exercise.

The 16,755,008 common shares to be outstanding after this offering is based on 13,089,562 shares outstanding as of March 31, 2021 plus (i) 312,097 common shares issued subsequent to March 31, 2021 and (ii) the 3,353,349 common shares offered hereby. The 16,755,008 common shares to be outstanding after this offering excludes the following:

- 2,568,568 common shares issuable upon exercise of outstanding warrants, other than the Warrants, at March 31, 2021 with a weighted average exercise price of $5.72;
- 1,293,831 common shares reserved for issuance upon the exercise of outstanding stock options at March 31, 2021 with a weighted average exercise price of $4.71 issued pursuant to our 2017 Stock Option Plan; and
- 309,548 common shares issuable upon conversion of outstanding Versus Systems (Holdco) shares.

RISK FACTORS

An investment in our securities carries a significant degree of risk. You should carefully consider the following risks, as well as the other information contained in this prospectus, including our historical financial statements and related notes included elsewhere in this prospectus, before you decide to purchase our securities. Any one of these risks and uncertainties has the potential to cause material adverse effects on our business, prospects, financial condition and operating results which could cause actual results to differ materially from any forward-looking statements expressed by us and a significant decrease in the value of our common shares and warrants. Refer to "Cautionary Note Regarding Forward-Looking Statements."

We may not be successful in preventing the material adverse effects that any of the following risks and uncertainties may cause. These potential risks and uncertainties may not be a complete list of the risks and uncertainties facing us. There may be additional risks and uncertainties that we are presently unaware of, or presently consider immaterial, that may become material in the future and have a material adverse effect on us. You could lose all or a significant portion of your investment due to any of these risks and uncertainties.

Risks Related to Our Business

We have a relatively limited operating history and limited revenues to date and thus are subject to risks of business development and you have no basis on which to evaluate our ability to achieve our business objective.

Because we have a relatively limited operating history and limited revenues to date, you should consider and evaluate our operating prospects in light of the risks and uncertainties frequently encountered by early-stage operating companies in rapidly evolving markets. These risks include:

- that we may not have sufficient capital to achieve our growth strategy;
- that we may not develop our product and service offerings in a manner that enables us to be profitable and meet our customers' requirements;
- that our growth strategy may not be successful; and
- that fluctuations in our operating results will be significant relative to our revenues.

Our future growth will depend substantially on our ability to address these and the other risks described in this section. If we do not successfully address these risks, our business could be significantly harmed. To date, we have had minimal revenues. Even if we do achieve profitability, we cannot predict the level of such profitability. If we sustain losses over an extended period of time, we may be unable to continue our business.

Future acquisitions or strategic investments could disrupt our business and harm our business, results of operations or financial condition.

We may in the future explore potential acquisitions of companies or strategic investments to strengthen our business. Even if we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business.

Acquisitions involve numerous risks, any of which could harm our business, including:

- straining our financial resources to acquire a company;
- anticipated benefits may not materialize as rapidly as we expect, or at all;
- diversion of management time and focus from operating our business to address acquisition integration challenges;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;

- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, former shareholders or other third parties.

Failure to appropriately mitigate these risks or other issues related to such strategic investments and acquisitions could result in reducing or completely eliminating any anticipated benefits of transactions, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the impairment of goodwill, any of which could have a material adverse effect on our business, results of operations or financial condition.

We may require additional funding for our growth plans, and such funding may result in a dilution of your investment.

We attempted to estimate our funding requirements in order to implement our growth plans. If the costs of implementing such plans should exceed these estimates significantly or if we come across opportunities to grow through expansion plans that cannot be predicted at this time, and our funds generated from our operations prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements.

These additional funds may be raised by issuing equity or debt securities or by borrowing from banks or other resources. We cannot assure you that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully if at all. Such financing even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders' consent for payment of dividends, or restrict our freedom to operate our business by requiring lender's consent for certain corporate actions.

Further, if we raise additional funds by way of a rights offering or through the issuance of new shares, any shareholders who are unable or unwilling to participate in such an additional round of fund raising may suffer dilution in their investment.

We may not have sufficient capital to fund our ongoing operations, effectively pursue our strategy or sustain our growth initiatives.

Our remaining liquidity and capital resources may not be sufficient to allow us to fund our ongoing operations, effectively pursue our strategy or sustain our growth initiatives. The report of our independent registered public accountants on our financial statements for the years ended December 31, 2020, 2019 and 2018 stated that our negative cash flows from operations, inability to finance our day-to-day operations through operations and expectation of further losses indicates that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. If we require additional capital resources, we may seek such funds directly from third party sources; however, we may not be able to obtain sufficient equity capital and/or debt financing from third parties to allow us to fund our expected ongoing operations or we may not be able to obtain such equity capital or debt financing on acceptable terms or conditions. Factors affecting the availability of equity capital or debt financing to us on acceptable terms and conditions include:

- our current and future financial results and position;
- the collateral availability of our otherwise unsecured assets;
- the market's, investors' and lenders' view of our industry and products;
- the perception in the equity and debt markets of our ability to execute our business plan or achieve our operating results expectations; and
- the price, volatility and trading volume and history of our common shares.

If we are unable to obtain the equity capital or debt financing necessary to fund our ongoing operations, pursue our strategy and sustain our growth initiatives, we may be forced to scale back our operations or our expansion initiatives, and our business and operating results will be materially adversely affected.

Changes in our relationships with our most significant customer, HP, including the loss or reduction in business from HP, could have an adverse impact on us.

For the three month period ended March 31, 2021 and the years ended December 31, 2020, 2019 and 2018, one customer, HP, represented 99.9%, 99.9%, 99.9% and 99.8%, respectively, of our total net revenues. Until such time, if ever, that we are able to diversify our customer base and add additional significant customers, the loss of HP as a customer would materially impair our overall consolidated financial condition and our consolidated results of operations. Our contractual relationships with customers, including HP, generally are terminable at will by the customers on short notice and do not require the customer to provide any minimum commitment. Our customers could choose to divert all or a portion of their business with us to one of our competitors, demand rate reductions for our services, require us to assume greater liability that increases our costs, or develop their own prizing or rewards capabilities. Failure to retain our existing customers or enter into relationships with new customers could materially impact the growth in our business and our ability to meet our current and long-term financial forecasts.

Our operations are significantly dependent on changes in public and customer tastes and discretionary spending patterns. Our inability to successfully anticipate customer preferences or to gain popularity for games may negatively impact our profitability.

Our success depends significantly on public and customer tastes and preferences, which can be unpredictable. If we are unable to successfully anticipate customer preferences or increase the popularity of the games that have embedded at our platform, the per capita revenue and overall customer expenditures may decrease, and thereby negatively impact our profitability. In response to such developments, we may need to increase our marketing and product development efforts and expenditures, we may also adjust our product pricing, we may modify the platform itself, or take other actions, which may further erode our profit margins or otherwise adversely affect our results of operations and financial condition. In particular, we may need to expend considerable cost and effort in carrying out extensive research and development to assess the potential interest in our platform and to remain abreast with continually evolving technology and trends.

While we may incur significant expenditures of this nature, including in the future as we continue to expand our operations, there can be no assurance that any such expenditures or investments by us will yield expected or commensurate returns or results, within a reasonable or anticipated time, or at all.

If we cannot continue to develop, acquire, market and offer new products and services or enhancements to existing products and services that meet customer requirements, our operating results could suffer.

The process of developing and acquiring new technology products and services and enhancing existing offerings is complex, costly and uncertain. If we fail to anticipate customers' rapidly changing needs and expectations, our market share and results of operations could suffer. We must make long-term investments, develop, acquire or obtain appropriate intellectual property and commit significant resources before knowing whether our predictions will accurately reflect customer demand for our products and services. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. Additionally, any delay in the development, acquisition, marketing or launch of a new offering or enhancement to an existing offering could result in customer attrition or impede our ability to attract new customers, causing a decline in our revenue or earnings.

We make significant investments in new products and services that may not achieve expected returns.

We have made and will continue to make significant investments in research, development and marketing for existing products, services and technologies, including developing new Software Development Kits (SDKs) for console gaming, wearables, smart TV systems, AR/VR, new feature sets for our core products, and entirely new products and platforms that we are developing for specific customers, as well as new technology or new applications of existing technology. Investments in new technology are speculative. Commercial success depends on many factors, including but not limited to innovativeness, developer support, and effective distribution and marketing. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of our services or products, unfavorably affecting our revenue and profits. We may not achieve significant revenue from new product, service or distribution channel investments, or new applications of existing new product, service or distribution channel investments, for several years, if at all. New products and services may not be profitable, and even if they are profitable, operating margins for some new products and businesses may not be as high as the margins we have experienced historically. Furthermore, developing new technologies is

complex and can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or offering new services could adversely affect our revenue and profits.

If we fail to retain existing users or add new users, our results of operations and financial condition may be materially and adversely affected.

The size of our users' level of engagement are critical to our success. Our financial performance will be significantly determined by our success in having our products adding, retaining, and engaging active users. To the extent that our active user growth rate slows, our business performance will become increasingly dependent on our ability to increase levels of user engagement in current and new markets. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A decrease in user retention, growth, or engagement could render us less attractive to video game publishers and developers which may have a material and adverse impact on our revenue, business, financial condition, and results of operations. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with competing products;
- we fail to introduce new and improved products or if we introduce new products or services that are not favorably received;
- we are unable to successfully balance our efforts to provide a compelling user experience with the decisions made by us with respect to the frequency, prominence, and size of ads and other commercial content that we display;
- there are changes in user sentiment about the quality or usefulness of our products or concerns related to privacy and sharing, safety, security, or other factors;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- there are adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience;
- we adopt policies or procedures related to areas such as sharing our user data that are perceived negatively by our users or the general public;
- we fail to provide adequate customer service to users, developers, or advertisers; or
- we, our software developers, or other companies in our industry are the subject of adverse media reports or other negative publicity.

If we are unable to build and/or maintain relationships with publishers and developers, our revenue, financial results, and future growth potential may be adversely affected.

If we fail to keep up with industry trends or technological developments, our business, results of operations and financial condition may be materially and adversely affected.

The gaming industry is rapidly evolving and subject to continuous technological changes. Our success depends on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology and industry developments and offerings to serve the evolving needs of our customers. Our growth strategy is focused on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and solutions, our results of operations, and our ability to develop and maintain a competitive advantage and continue to grow could be negatively affected. In addition, we operate in a quickly evolving environment in which there currently are, and we expect will continue to be, new technology entrants. New services or technologies offered by competitors or new entrants may make our offerings less differentiated or less competitive, when compared to other alternatives, which may adversely affect our results of operations. Technological innovations may also require substantial capital expenditures in product development as well as in modification of products, services or infrastructure. We cannot assure you that we can obtain financing to cover such expenditures. Failure to adapt our products and services to such changes in an effective and timely manner could materially and adversely affect our business, financial condition and results of operations.

We are subject to cybersecurity risks.

Cybersecurity risks and attacks continue to increase. Cybersecurity attacks are evolving and not always predictable. Attacks include malicious software, threats to information technology infrastructure, denial-of-service attacks on websites, attempts to gain unauthorized access to data, and other breaches. Data breaches can originate with authorized or unauthorized persons. Authorized persons could inadvertently or intentionally release confidential or proprietary information, and recipients could misuse data. Such events could lead to interruption of our operations or business, unauthorized release or use of information, compromise of data, damage to our reputation, damage to our customers or vendors, and increased costs to prevent, respond to or mitigate any events.

We are a holding company and depend upon our subsidiaries for our cash flows.

We are a holding company. All of our operations are conducted, and almost all of our assets are owned, by our subsidiaries. Consequently, our cash flows and our ability to meet our obligations depend upon the cash flows of our subsidiaries and the payment of funds by these subsidiaries to us in the form of dividends, distributions or otherwise. The ability of our subsidiaries to make any payments to us depends on their earnings, the terms of their indebtedness, including the terms of any credit facilities, of which there are currently none, and legal restrictions. While there are no restrictions on the ability of our subsidiaries to make any payments to us, such restrictions may arise in the future. Any failure to receive dividends or distributions from our subsidiaries when needed could have a material adverse effect on our business, results of operations or financial condition.

Our insurance coverage may not adequately protect us against all future risks, which may adversely affect our business and prospects.

We maintain insurance coverage, including for fire, acts of god and perils, terrorism, burglary, money, fidelity guarantee, professional liability including errors and omissions and breach of contract, commercial property, commercial general liability, cyber events including incident response costs, legal, forensic and breach management costs, cyber-crimes, system damage, rectification costs, business interruption and reputational harm, as well as directors' and officers' liability insurance and employee health

and medical insurance, with standard exclusions in each instance. While we maintain insurance in amounts that we consider reasonably sufficient for a business of our nature and scale, with insurers that we consider reliable and credit worthy, we may face losses and liabilities that are uninsurable by their nature, or that are not covered, fully or at all, under our existing insurance policies. Moreover, coverage under such insurance policies would generally be subject to certain standard or negotiated exclusions or qualifications and, therefore, any future insurance claims by us may not be honored by our insurers in full, or at all. In addition, our premium payments under our insurance policies may require a significant investment by us.

To the extent that we suffer loss or damage that is not covered by insurance or that exceeds our insurance coverage, the loss will have to be borne by us and our business, cash flow, financial condition, results of operations and prospects may be adversely affected.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, investments and results of operations.

We are subject to laws and regulations enacted by national, regional and local governments. In particular, we are required to comply with certain SEC and other legal requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on our business and results of operations.

We are dependent upon our executive officers and directors and their departure could adversely affect our ability to operate.

Our operations are dependent upon a relatively small group of individuals and, in particular, our executive officers and directors. We believe that our success depends on the continued service of our executive officers and directors. We do not have key-man insurance on the life of any of our directors or executive officers. The unexpected loss of the services of one or more of our directors or executive officers could have a detrimental effect on us.

Our executive officers, directors, security holders and their respective affiliates may have competitive pecuniary interests that conflict with our interests.

We have not adopted a policy that expressly prohibits our directors, executive officers, security holders or affiliates from having a direct or indirect pecuniary or financial interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. We do not have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. Accordingly, such persons or entities may have a conflict between their interests and ours.

Public health epidemics or outbreaks, such as COVID-19, could materially and adversely impact our business.

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally. Because COVID-19 infections have been reported throughout the United States, certain federal, state and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19. Additional, more restrictive proclamations and/or directives may be issued in the future.

To protect the health and well-being of our employees and customers, we have implemented work-from-home requirements, made substantial modifications to employee travel policies, and cancelled or shifted marketing and other corporate events to virtual-only formats for the foreseeable future. While we continue to monitor our circumstances and may adjust our current policies as more information and public health guidance become available, these precautionary measures could negatively affect our sales and marketing efforts, delay and lengthen our sales cycles, or create operational or other challenges, any of which could harm our business and results of operations.

While we believe we have not been significantly adversely impacted by COVID-19 to date, we believe COVID-19 continues to present the potential for adverse risks to our company.

The potential impacts of COVID-19 on our business, financial condition, and results of operations include, but are not limited to, the following:

- There may be a decrease in the willingness or ability of certain of our customers or partners to move forward with integrations of our platform into their products or media due to restructurings or cutbacks within their organizations or because their business, financial condition or operations have been adversely impacted by COVID-19.
- Our customers could potentially be negatively impacted by the outbreak, which may reduce their budgets for online advertising and marketing in 2021 and perhaps beyond. As a result, our revenue, gross profit and net income may be negatively impacted in 2020, 2021 and perhaps beyond.
- The situation may worsen if the COVID-19 outbreak continues. Our customers may request additional time to pay us or fail to pay us on time, or at all, which may require us to record additional allowances.
- The global stock markets have experienced, and may continue to experience, significant volatility from the COVID-19 outbreak, which may adversely affect our ability to raise funds in the capital markets.
- If one or more of our employees or customers becomes ill from coronavirus and attributes their infection to us, including through exposure at one of our offices or facilities, we could be subject to allegations of failure to adequately mitigate the risk of exposure. Such allegations could harm our reputation and expose us to the risks of litigation and liability.

The ultimate impact of the COVID-19 pandemic on our operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or we, may direct, which may result in an extended period of continued business disruption, reduced customer traffic and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but could have a material adverse impact on our business, financial condition and results of operations.

Our business may be harmed if our licensing partners, or other third parties with whom we do business, act in ways that put our brand at risk.

We offer a business-to-business software platform that allows video game publishers and developers, as well as other interactive media content creators, to offer in-

game prizing and rewards, based on the completion of in-content challenges. We anticipate that our business partners shall be given access to sensitive and proprietary information or control over our intellectual property in order to provide services and support to our teams. These third parties may misappropriate our information or intellectual property and engage in unauthorized use of it or otherwise act in a way that places our brand at risk. The failure of these third parties to provide adequate services and technologies, the failure of third parties to adequately maintain or update their services and technologies or the misappropriation or misuse of this information or intellectual property could result in a disruption to our business operations or an adverse effect on our reputation, and may negatively impact our business.

If we fail to keep our existing users highly engaged, to acquire new users, to successfully implement an award-prizes model for our user community, our business, profitability and prospects may be adversely affected.

Our success depends on our ability to maintain and grow the number of users playing our partners' games and other media and keeping our users highly engaged. Of particular importance is the successful deployment and expansion of our award-prizes model to our gaming community for purposes of creating predictable recurring revenues.

A decline in the number of our users may adversely affect the engagement level of our users, the vibrancy of our user community, or the popularity of our award-prizes model, which may in turn reduce our monetization opportunities, and have a material and adverse effect on our business, financial condition and results of operations. If we are unable to attract and retain users, our revenues may decline and our results of operations and financial condition may suffer.

Our failure to protect our intellectual property rights may undermine our competitive position.

We believe that our patents, copyrights, trademarks and other intellectual property are essential to our success. Please see "Business—Intellectual Property" for more details. We depend to a large extent on our ability to develop and maintain the intellectual property rights relating to our existing portfolio of prizing, promotion and financial technologies that enable brands to reach the rapidly growing competitive gaming audience of players, spectators and broadcasters. We have devoted considerable time and energy to the development and improvement of our portfolio of prizing, promotion and financial technologies intellectual property.

We rely primarily on a combination of patents, copyrights, trademarks and trade secrets laws, and contractual restrictions for the protection of the intellectual property used in our business. Nevertheless, these provide only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Our trade secrets may become known or be independently discovered by our competitors. We may have no or limited rights to stop the use of our information by others. Moreover, to the extent that our employees or third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights to such intellectual property. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Our services or solutions could infringe upon the intellectual property rights of others or we might lose our ability to utilize the intellectual property of others.

We cannot be sure that our services and solutions do not infringe on the intellectual property rights of third parties, and these third parties could claim that we or our clients are infringing upon their intellectual property rights. These claims could harm our reputation, cause us to incur substantial costs or prevent us from offering some services or solutions in the future. Any related proceedings could require us to expend significant resources over an extended period of time. Any claims or litigation in this area could be time-consuming and costly, damage our reputation and/or require us to incur additional costs to obtain the right to continue to offer a service or solution to our clients. If we cannot secure this right at all or on reasonable terms, or we cannot substitute alternative technology, our results of operations could be materially adversely affected. The risk of infringement claims against us may increase as we expand our industry software solutions.

In recent years, individuals and firms have purchased intellectual property assets in order to assert claims of infringement against technology providers and customers that use such technology. Any such action naming us or our clients could be costly to defend or lead to an expensive settlement or judgment against us. Moreover, such an action could result in an injunction being ordered against our client or our own services or operations, causing further damages.

In addition, we rely on third-party software in providing some of our services and solutions. If we lose our ability to continue using such software for any reason, including in the event that the software is found to infringe the rights of others, we will need to obtain substitute software or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such software, or to replace such software in a timely or cost-effective manner, could materially adversely affect our results of operations.

Third parties may register trademarks or domain names or purchase internet search engine keywords that are similar to our trademarks, brands or websites, or misappropriate our data and copy our platform, all of which could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

Competitors and other third parties may purchase trademarks that are similar to our trademarks and keywords that are confusingly similar to our brands or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential customers from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platform, which could harm our reputation and cause us to lose revenue.

Our business is highly dependent on the proper functioning and improvement of our information technology systems and infrastructure. Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale up and adjust our existing technology and infrastructure.

Our business depends on the continuous and reliable operation of our information technology, or IT, systems. Our IT systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking and other attempts to harm our IT systems. Disruptions, failures, unscheduled service interruptions or a decrease in connection speeds could damage our reputation and cause our customers and end-users to migrate to our competitors' platforms. If we experience frequent or constant service disruptions, whether caused by failures of our own IT systems or those of third-party service providers, our user experience may be negatively affected, which in turn may have a material and adverse effect on our reputation and business. We may not be successful in minimizing the frequency or duration of service interruptions. As the number of our end-users increases and more user data are generated on our platform, we may be required to expand and adjust our technology and infrastructure to continue to reliably store and process content.

We use third-party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business, financial condition and results of operations.

Our business partially depends on services provided by, and relationships with, various third parties. We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations.

In most cases, we rely on third party consumer-brand partners to fulfil the prizes and rewards for our end users, players, viewers and participants. Disruption of this fulfilment could result in a poor user experience, adverse publicity, and a slowdown in growth of users, which could materially and adversely affect our business, financial condition and results of operations.

Our business depends on rewards, earned by users, being fulfilled correctly by third party consumer-brands with whom we have business arrangements. While we have agreements with those consumer-brands, we do not exercise control over those companies. If, for any reason, our customers do not fulfil the prizes or rewards in a manner that our end users, players and/or viewers expect, we may suffer in the perception of those end users. This could result in loss of players, poor public relations, or lawsuits. Such event(s) would have a material adverse effect(s) on our business, financial condition and may results in a loss of operations.

Risks Related to International Operations

The risks related to international operations, in particular in countries outside of the United States, could negatively affect our results.

We expect to incur up to 20% of our total expenses from transactions denominated in currencies other than the United States dollar, such as the Canadian dollar, and the British pound. As such, our operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within our control, including, but not limited to, recessions in foreign economies, expropriation, nationalization and limitation or restriction on repatriation of funds, assets or earnings, longer receivables collection periods and greater difficulty in collecting accounts receivable, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, changes in gaming policies, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in the protection of intellectual property particularly in countries with fewer intellectual property protections, the effects that evolving regulations regarding data privacy may have on our online operations, adverse changes in the creditworthiness of parties with whom we have significant receivables or forward currency exchange contracts, labor disputes and other risks arising out of foreign governmental sovereignty over the areas in which our operations are conducted. Our operations may also be adversely affected by social, political and economic instability and by laws and policies of such foreign jurisdictions affecting foreign trade, taxation and investment. If our operations are disrupted and/or the economic integrity of our contracts is threatened for unexpected reasons, our business may be harmed.

Our international activities may require protracted negotiations with host governments, national companies and third parties. Foreign government regulations may favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In the event of a dispute arising in connection with our operations in a foreign jurisdiction where we conduct our business, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of United States or enforcing United States judgments in such other jurisdictions. We may also be hindered or prevented from enforcing our rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, our activities in foreign jurisdictions could be substantially affected by factors beyond our control, any of which could have a material adverse effect on it. We believe that management's experience to date in commercializing our products, services and solutions in China, Japan, the United Kingdom, the European Union, and other countries and regions around the world may be of assistance in helping to reduce these risks. Some countries in which we may operate may be considered politically and economically unstable.

Doing business in the industries in which we operate often requires compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Our management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase our cost of doing business or affect our operations in any area.

We may in the future enter into agreements and conduct activities outside of the jurisdictions where we currently carry on business, which expansion may present challenges and risks that we have not faced in the past, any of which could adversely affect our results of operations and/or our financial condition.

We are subject to foreign exchange and currency risks that could adversely affect our operations, and our ability to mitigate our foreign exchange risk through hedging transactions may be limited.

We expect to incur up to 20% of our expenses in currencies other than the United States dollar; however, a substantial portion of our operating expenses are incurred in United States dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies may have a material adverse effect on our business, financial condition and operating results. Our consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than United States dollars and from the translation of foreign-currency-denominated balance sheet accounts into United States dollar-denominated balance sheet accounts. We are exposed to currency exchange rate fluctuations because portions of our revenue and expenses are denominated in currencies other than the United States dollar, particularly the Canadian dollar. Exchange rate fluctuations could adversely affect our operating results and cash flows and the value of our assets outside of the United States. If a foreign currency is devalued in a jurisdiction in which we are paid in such currency, then our customers may be required to pay higher amounts for our products or services, which they may be unable or unwilling to pay. Changes in exchange rates and our limited ability or inability to successfully hedge exchange rate risk could have an adverse impact on our liquidity and results of operations.

We may be unable to operate in new jurisdictions where our customers operate because of new regulations.

We are subject to regulation in any jurisdiction where our customers access our systems. To expand into any such jurisdiction we may need to operate according to local regulations. In some cases, this may require us to be licensed, or obtain approvals for our products or services. If we do not receive or receive a revocation of a license in a particular jurisdiction for our products or services, we would not be able to sell or place our products or services in that jurisdiction. Any such outcome could materially and adversely affect our results of operations and any growth plans for our business.

Privacy concerns could result in regulatory changes and impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.

Personal privacy has become a significant issue in the United States and many other countries in which we currently operate and may operate in the future. Many federal, state, and foreign legislatures and government agencies have imposed or are considering imposing restrictions and requirements about the collection, use, and disclosure of personal information obtained from individuals. Changes to laws or regulations affecting privacy could impose additional costs and liability on us and could limit our use of such information to add value for customers. If we were required to change our business activities or revise or eliminate services, or to implement burdensome compliance measures, our business and results of operations could be harmed. In addition, we may be subject to fines, penalties, and potential litigation if we fail to comply with applicable privacy regulations, any of which could adversely affect our business, liquidity and results of operation.

Our results of operations could be affected by natural events in the locations in which we operate or where our customers or suppliers operate.

We, our customers, and our suppliers have operations in locations subject to natural occurrences such as severe weather and other geological events, including hurricanes, earthquakes, or flood that could disrupt operations. Any serious disruption at any of our facilities or the facilities of our customers or suppliers due to a natural disaster could have a material adverse effect on our revenues and increase our costs and expenses. If there is a natural disaster or other serious disruption at any of our facilities, it could impair our ability to adequately supply our customers, cause a significant disruption to our operations, cause us to incur significant costs to relocate or re-establish these functions and negatively impact our operating results. While we intend to seek insurance against certain business interruption risks, such insurance may not adequately compensate us for any losses incurred as a result of natural or other disasters. In addition, any natural disaster that results in a prolonged disruption to the operations of our customers or suppliers may adversely affect our business, results of operations or financial condition.

Risks Related to Regulation

We are subject to various laws relating to trade, export controls, and foreign corrupt practices, the violation of which could adversely affect our operations, reputation, business, prospects, operating results and financial condition.

We are subject to risks associated with doing business outside of the United States, including exposure to complex foreign and U.S. regulations such as the Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws which generally prohibit U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions and other penalties. It may be difficult to oversee the conduct of any contractors, third-party partners, representatives or agents who are not our employees, potentially exposing us to greater risk from their actions. If our employees or agents fail to comply with applicable laws or company policies governing our international operations, we may face legal proceedings and actions which could result in civil penalties, administration actions and criminal sanctions. Any determination that we have violated any anti-corruption laws could have a material adverse impact on our business. Changes in trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities.

Violations of these laws and regulations could result in significant fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, disgorgement of profits, cessation of business activities in sanctioned countries, prohibitions on the conduct of our business and our inability to market and sell our products or services in one or more countries. Additionally, any such violations could materially damage our reputation, brand, international expansion efforts, ability to attract and retain employees and our business, prospects, operating results and financial condition.

Regulations that may be adopted with respect to the internet and electronic commerce may decrease the growth in the use of the internet and lead to the decrease in the demand for our services.

We may become subject to any number of laws and regulations that may be adopted with respect to the internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of the internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the internet. The adoption of new laws or regulations relating to the internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the internet, decrease the demand for our services, increase our cost of doing business or could otherwise have a material adverse effect on our business, revenues, operating results and financial condition.

Risks Related to Our Common Shares and Our Warrants

Our common shares and Unit A Warrants were only recently listed on The Nasdaq Capital Market and there can be no assurance that we will be able to comply with The Nasdaq Capital Market's continued listing standards.

Our common shares and Unit A Warrants commenced trading on The Nasdaq Capital Market on January 22, 2021. However, there can be no assurance any broker will be interested in trading our common shares and/or Unit A Warrants. Therefore, it may be difficult to sell your common shares and/or Unit A Warrants if you desire or need to do so. We cannot provide any assurance that an active and liquid trading market in our securities will develop or, if developed, that such market will continue. In addition, there is no guarantee that we will be able to maintain such listings for any period of time by perpetually satisfying The Nasdaq Capital Market's continued listing requirements. Our failure to continue to meet these requirements may result in our securities being delisted from The Nasdaq Capital Market.

The market prices of our common shares and Unit A Warrants are likely to be highly volatile because of several factors, including a limited public float.

The market prices of our common shares and Unit A Warrants have experienced significant price and volume fluctuations and the prices of such securities are likely to be highly volatile in the future. You may not be able to resell our common shares or Unit A Warrants following periods of volatility because of the market's adverse reaction to volatility.

Other factors that could cause such volatility may include, among other things:

- actual or anticipated fluctuations in our operating results;
- the absence of securities analysts covering us and distributing research and recommendations about us;
- we may have a low trading volume for a number of reasons, including that a large portion of our stock is closely held;
- overall stock market fluctuations;
- announcements concerning our business or those of our competitors;
- actual or perceived limitations on our ability to raise capital when we require it, and to raise such capital on favorable terms;
- conditions or trends in the industry;
- litigation;
- changes in market valuations of other similar companies;

- future sales of common shares;
- departure of key personnel or failure to hire key personnel; and
- general market conditions.

Any of these factors could have a significant and adverse impact on the market prices of our common shares and/or our Unit A Warrants. In addition, the stock market in general has at times experienced extreme volatility and rapid decline that has often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading prices of our common shares and/or Unit A Warrants, regardless of our actual operating performance.

Our common shares have in the past been a "penny stock" under SEC rules, and our Unit A Warrants may be subject to the "penny stock" rules in the future. It may be more difficult to resell securities classified as "penny stock."

In the past, our common shares were a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below US$5.00). While our common shares and Unit A Warrants are not considered "penny stock" since they will be listed on The Nasdaq Capital Market, if we are unable to maintain that listing and our common shares and/or our Unit A Warrants are no longer listed on The Nasdaq Capital Market, unless we maintain a per-share price above US$5.00, our common shares and/or Unit A Warrants will be considered "penny stock." These rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, brokerdealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Brokerdealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

Legal remedies available to an investor in "penny stocks" may include the following:

- If a "penny stock" is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.
- If a "penny stock" is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common shares or our warrants and may affect your ability to resell our common shares and our Unit A Warrants.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance at what time, if ever, our common shares or our Unit A Warrants will not be classified as a "penny stock" in the future.

We are subject to the continued listing criteria of Nasdaq, and our failure to satisfy these criteria may result in delisting of our common shares or Unit A Warrants from The Nasdaq Capital Market and could also jeopardize our continued ability to trade in the United States on The Nasdaq Capital Market.

Our common shares and Unit A Warrants are currently listed for trading on The Nasdaq Capital Market. In order to maintain the listing on Nasdaq or any other securities exchange we may trade on, we must maintain certain financial and share distribution targets, including maintaining a minimum number of public shareholders. In addition to objective standards, Nasdaq may delist our securities if, in the exchange's opinion, our financial condition and/or operating results appear unsatisfactory; if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing inadvisable; if we sell or dispose of our principal operating assets or cease to be an operating company; if we fail to comply with the listing requirements; or if any other event occurs or any condition exists which, in their opinion, makes continued listing on the exchange inadvisable.

If the Nasdaq were to delist our common shares, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our common shares, reduced liquidity, decreased analyst coverage, and/or an inability for us to obtain additional financing to fund our operations.

If the benefits of any proposed acquisition do not meet the expectations of investors, shareholders or financial analysts, the market price of our common shares and/or Unit A Warrants may decline.

If the benefits of any proposed acquisition do not meet the expectations of investors or securities analysts, the market price of our common shares and/or Unit A Warrants prior to the closing of the proposed acquisition may decline. The market values of our common shares and/or Unit A Warrants at the time of the proposed acquisition may vary significantly from their prices on the date the acquisition target was identified.

In addition, broad market and industry factors may materially harm the market price of our common shares and/or Unit A Warrants irrespective of our operating performance. The stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress the price of our common shares and/or Unit A Warrants regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Shares eligible for future sale may adversely affect the market.

From time to time, certain of our shareholders may be eligible to sell all or some of their common shares by means of ordinary brokerage transactions in the open

market pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, or the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, non-affiliate shareholders may sell freely after six months, subject only to the current public information requirement. Affiliates may sell after six months, subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. Of the approximately 13,401,659 common shares outstanding as of May 10, 2021, approximately 13,186,318 shares are tradable without restriction. Given the limited trading of our common shares, resale of even a small number of our common shares pursuant to Rule 144 or an effective registration statement may adversely affect the market price of our common shares.

We have never paid dividends on our common shares and may not do so in the future.

Holders of our common shares are entitled to receive such dividends as may be declared by our board of directors. To date, we have paid no cash dividends on our common shares and we do not expect to pay cash dividends on our common shares in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our common shares may have will be in the form of appreciation, if any, in the market value of their common shares. See "Dividend Policy."

If an active, liquid trading market for our Unit A Warrants does not develop, you may not be able to sell your Unit A Warrants quickly or at a desirable price.

Our Unit A Warrants are currently exercisable and expire on the fifth anniversary of the date of issuance. The Unit A Warrants had an initial exercise price per share equal to US$7.50. In the event that the stock price of our common shares does not exceed the exercise price of the Unit A Warrants during the period when the Unit A Warrants are exercisable, the Unit A Warrants may not have any value.

There is no established trading market for our Unit A Warrants, and to the extent a market develops, such market for the Unit A Warrants may be highly volatile or may decline regardless of our operating performance. An active public market for our Unit A Warrants may not develop or be sustained. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market in our Unit A Warrants or how liquid that market might become. If a market does not develop or is not sustained, it may be difficult for you to sell your Unit A Warrants at the time you wish to sell them, at a price that is attractive to you, or at all.

Holders of our warrants will have no rights as a common shareholder until they acquire our common shares.

Until you acquire our common shares upon exercise of your warrants, you will have no rights as a shareholder in respect of the common shares underlying such warrants. Upon exercise of your warrants, you will be entitled to exercise the rights of a common shareholder only as to matters for which the record date occurs after the exercise date.

Our articles and certain Canadian legislation contain provisions that may have the effect of delaying or preventing a change in control.

Certain provisions of our articles could discourage potential acquisition proposals, delay or prevent a change in control and limit the price that certain investors may be willing to pay for our common shares. The material differences between the British Columbia Business Corporations Act, or BCBCA, and Delaware General Corporation Law, or DGCL, that may have the greatest such effect include, but are not limited to, the following: (i) for certain corporate transactions (such as mergers and amalgamations or amendments to our articles) the BCBCA generally requires the voting threshold to be a special resolution approved by 66 2/3% of shareholders, whereas DGCL generally only requires a majority vote; and (ii) under the BCBCA a holder of 5% or more of our common shares can requisition a special meeting of shareholders, whereas such right does not exist under the DGCL.

In addition, a non-Canadian must file an application for review with the Minister responsible for the Investment Canada Act and obtain approval of the Minister prior to acquiring control of a "Canadian Business" within the meaning of the Investment Canada Act, where prescribed financial thresholds are exceeded. Finally, limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act (Canada). The Competition Act (Canada) establishes a pre-merger notification regime for certain types of merger transactions that exceed certain statutory shareholding and financial thresholds. Transactions that are subject to notification cannot be closed until the required materials are filed and the applicable statutory waiting period has expired or been waived by the Commissioner. However, the Competition Act (Canada) permits the Commissioner of Competition to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us, whether or not it is subject to mandatory notification. Otherwise, there are no limitations either under the laws of Canada or British Columbia, or in our articles on the rights of non-Canadians to hold or vote our common shares. Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders. We cannot predict whether investors will find our company and our common shares less attractive because we are governed by foreign laws.

Because we are a corporation incorporated under the laws of British Columbia and some of our directors and officers are residents of Canada, it may be difficult for investors in the United States to enforce civil liabilities against us based solely upon the U.S. federal securities laws. Similarly, it may be difficult for Canadian investors to enforce civil liabilities against our directors and officers residing outside of Canada.

We are a corporation incorporated under the laws of British Columbia. Some of our directors and officers and the auditors or other experts named herein are residents of Canada and all or a substantial portion of our assets and those of such persons are located outside the United States. Consequently, it may be difficult for U.S. investors to effect service of process within the United States upon us or our directors or officers or such auditors who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liabilities under the U.S. federal securities laws. Investors should not assume that Canadian courts: (1) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or blue sky laws of any state within the United States or (2) would enforce, in original actions, liabilities against us or such persons predicated upon the U.S. federal securities laws or any such state securities or blue sky laws.

As a result of our recently becoming a reporting company under the Exchange Act, we will be obligated to develop and maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common shares.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after March 3, 2021. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date we are no longer an emerging growth company, as defined in the JOBS Act. We will be required to disclose significant changes made in our internal control procedures on a quarterly basis.

We are beginning the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply

with Section 404, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. While we currently have an internal audit group, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common shares could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

We are an emerging growth company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor internal controls attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our shareholders may not have access to certain information they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common shares held by non-affiliates exceeds US$700 million as of any November 30 before that time, in which case we would no longer be an emerging growth company as of the following May 31. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We will continue to incur increased costs as a result of operating as a reporting company under the Exchange Act, and our management will continue to be required to devote substantial time to compliance with our reporting company responsibilities and corporate governance practices.

As a reporting company under the Exchange Act, and particularly after we are no longer an "emerging growth company," we will continue to incur significant legal, accounting and other expenses The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The Nasdaq Capital Market and other applicable securities rules and regulations impose various requirements on public companies. We are also obligated to file with the Canadian securities regulators similar reports pursuant to securities laws and regulations applicable in all the provinces and territories of Canada in which we will be a reporting issuer. Compliance with these laws and regulations has increased and will continue to increase our legal and financial compliance costs and make some activities more difficult, time-consuming or costly. Our management and other personnel must devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors. We cannot predict or estimate the amount of additional future costs we will incur as a public company or the timing of such costs.

We are a foreign private issuer under the rules and regulations of the SEC and, thus, are exempt from a number of rules under the Exchange Act and are permitted to file less information with the SEC than a company incorporated in the U.S.

As a foreign private issuer under the Exchange Act, we are exempt from certain rules under the Exchange Act, including the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies with securities registered under the Exchange Act; we are not required to file financial statements prepared in accordance with U.S. generally accepted accounting principles; and we are not required to comply with SEC Regulation FD, which imposes certain restrictions on the selective disclosure of material information. In addition, our officers, directors and principal shareholders are not subject to the reporting or short-swing profit recovery provisions of Section 16 of the Exchange Act or the rules under the Exchange Act with respect to their purchases and sales of our common shares. Accordingly, you may receive less information about us than you would receive about a company incorporated in the United States and may be afforded less protection under the U.S. federal securities laws than you would be afforded with respect to a company incorporated in the United States. If we lose our status as a foreign private issuer at some future time, we will no longer be exempt from such rules and, among other things, will be required to file periodic reports and financial statements as if we were a company incorporated in the United States. The costs incurred in fulfilling these additional regulatory requirements could be substantial.

Additionally, pursuant to the Nasdaq Listing Rules, as a foreign private issuer, we may elect to follow our home country practice in lieu of the corporate governance requirements of the Nasdaq Listing Rules, with the exception of those rules that are required to be followed pursuant to the provisions of the Nasdaq Listing Rules. We have elected to follow Canadian practices in lieu of the requirements of the Nasdaq Listing Rules to the extent permitted under Nasdaq Listing Rule 5615(a)(3).

U.S. Holders of our common shares may suffer adverse tax consequences if we are treated as a passive foreign investment company.

A non-U.S. corporation generally will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income (such as interest income) or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. Based on the current and anticipated composition of the income, assets and operations of the Company and its subsidiaries, we do not believe that we will be a PFIC for U.S. federal income tax purposes for the current taxable year or for future taxable years. However, the application of the PFIC rules is subject to uncertainty in several respects, and a separate determination must be made after the close of each taxable year as to whether we are a PFIC for that year. Changes in the composition of our income or assets may cause us to become a PFIC. Accordingly, there can be no assurance that we will not be a PFIC for any taxable year. If we are a PFIC for any taxable year during which a U.S. Holder (as that term is defined below in "Material U.S. Federal Income Tax Considerations for U.S. Holders") holds our common shares, such U.S. Holder may be subject to adverse tax consequences. In particular, absent certain elections, a U.S. Holder would generally be subject to U.S. federal income tax at ordinary income tax rates, plus a possible interest

charge, in respect of a gain derived from a disposition of our common shares, as well as certain distributions by us. The PFIC rules are complex, and each prospective investor is strongly urged to consult its tax advisors regarding the application of these rules to such investor's particular circumstances. See "Material United States Federal Income Tax Considerations for U.S. Holders".

Changes to tax laws may have an adverse impact on us and holders of our common shares.

Changes in tax laws, including amendments to tax laws, changes in the interpretation of tax laws, or changes in the administrative pronouncements or positions by the Canada Revenue Agency, or CRA, may have a material adverse effect on us. In addition, tax authorities could disagree with us on tax filing positions taken by us and any reassessment of our tax filings could result in material adjustments of tax expense, income taxes payable and deferred income taxes.

Changes in tax laws, including amendments to tax laws, changes in the interpretation of tax laws or changes in the administrative pronouncements or positions by the CRA, may also have a material adverse effect on our shareholders and their investment in our common shares. Purchasers of our common shares should consult their tax advisors regarding the potential tax consequences associated with the acquisition, holding and disposition of our common shares in their particular circumstances.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. These statements involve risks known to us, significant uncertainties, and other factors which may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements.

Some of the statements in this prospectus constitute "forward-looking statements" that represent our beliefs, projections and predictions about future events. From time to time in the future, we may make additional forward-looking statements in presentations, at conferences, in press releases, in other reports and filings and otherwise. Forward-looking statements are all statements other than statements of historical fact, including statements that refer to plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections, prospects, expectations or other characterizations of future events or performance, and assumptions underlying the foregoing. The words "may," "could," "should," "would," "will," "project," "intend," "continue," "believe," "anticipate," "estimate," "forecast," "expect," "plan," "potential," "opportunity," "scheduled," "goal," "target," and "future," variations of such words, and other comparable terminology and similar expressions and references to future periods are often, but not always, used to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about the following:

- our prospects, including our future business, revenues, expenses, net income, earnings per share, gross margins, profitability, cash flows, cash position, liquidity, financial condition and results of operations, backlog of orders and revenue, our targeted growth rate, our goals for future revenues and earnings, and our expectations about realizing the revenues in our backlog and in our sales pipeline;
- the potential impact of COVID-19 on our business and results of operations;
- the effects on our business, financial condition and results of operations of current and future economic, business, market and regulatory conditions, including the current economic and market conditions and their effects on our customers and their capital spending and ability to finance purchases of our products, services, technologies and systems;
- the effects of fluctuations in sales on our business, revenues, expenses, net income, earnings per share, margins, profitability, cash flows, capital expenditures, liquidity, financial condition and results of operations;
- our products, services, technologies and systems, including their quality and performance in absolute terms and as compared to competitive alternatives, their benefits to our customers and their ability to meet our customers' requirements, and our ability to successfully develop and market new products, services, technologies and systems;

- our markets, including our market position and our market share;
- our ability to successfully develop, operate, grow and diversify our operations and businesses;
- our business plans, strategies, goals and objectives, and our ability to successfully achieve them;
- the sufficiency of our capital resources, including our cash and cash equivalents, funds generated from operations, availability of borrowings under our credit and financing arrangements and other capital resources, to meet our future working capital, capital expenditure, lease and debt service and business growth needs;
- the value of our assets and businesses, including the revenues, profits and cash flows they are capable of delivering in the future;
- the effects on our business operations, financial results, and prospects of business acquisitions, combinations, sales, alliances, ventures and other similar business transactions and relationships;
- industry trends and customer preferences and the demand for our products, services, technologies and systems; and
- the nature and intensity of our competition, and our ability to successfully compete in our markets.

These statements are necessarily subjective, are based upon our current plans, intentions, objectives, goals, strategies, beliefs, projections and expectations, and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements described in or implied by such statements. Actual results may differ materially from expected results described in our forward-looking statements, including with respect to correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of the publicly-available information with respect to the factors upon which our business strategy is based, or the success of our business. Furthermore, industry forecasts are likely to be inaccurate, especially over long periods of time.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of whether, or the times by which, our performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and

management's belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that may cause actual results, our performance or achievements, or industry results to differ materially from those contemplated by such forward-looking statements include, without limitation, those discussed under the caption "Risk Factors" in this prospectus.

CURRENCY AND EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, the period-end and the high and low exchange rate for U.S. dollars expressed in Canadian dollars, and the average exchange rate for the periods indicated. These rates are based on the noon buying rate certified for custom purposes by the U.S. Federal Reserve Bank of New York set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of any other reports or information to be provided to you. We make no representation that any Canadian dollar or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Canadian dollars, as the case may be, at any particular rate or at all. We maintain our books and records and have presented our results of operations in Canadian dollars.

On May 14, 2021, the noon buying rate was US$1.00 = C$1.2114.

	Period End	Period Average	Low	High
		(C$ per US$)		
Year Ended December 31:				
2016	1.3426	1.3243	1.2544	1.4592
2017	1.2517	1.2984	1.2131	1.3745
2018	1.3644	1.2957	1.2280	1.3650
2019	1.2962	1.3269	1.2962	1.3591
2020	1.2753	1.3422	1.2715	1.4539
2021:				
January	1.2776	1.2725	1.2633	1.2812
February	1.2698	1.2696	1.2528	1.2830
March	1.2571	1.2569	1.2434	1.2672
April	1.2291	1.2494	1.2291	1.2614

USE OF PROCEEDS

To the extent that the Warrants are exercised for cash, we will receive the gross cash proceeds from such exercise of up to a total potential of approximately $25 million, based on the exercise price of the Warrants. We cannot predict when or if the Warrants will be exercised, and it is possible that the Warrants may expire and never be exercised.

We intend to use the net proceeds from the exercise of the Warrants for working capital and general corporate purposes.

Our management will have broad discretion in the application of the net proceeds of this offering, and investors will be relying on our judgment regarding the application of the net proceeds. In addition, we might decide to postpone or not pursue certain activities if the net proceeds from this offering and our other sources of cash are less than expected.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information for Common Shares

Our common shares and Unit A Warrants are presently quoted on The Nasdaq Capital Market, or Nasdaq, under the symbol "VS" and VSSYW," respectively. On May 27, 2021, the closing price of our common shares on the Nasdaq was US$6.98 and the closing price of our Unit A Warrants on the Nasdaq was US$3.40.

Holders

As at May 15, 2021, the registrar and transfer agent for our common shares reported that there were 13,402,909 common shares issued and outstanding. Of these, 10,600,730 were registered to Canadian residents, including 9,350,730 shares registered to CDS & Co., which is a nominee of the Canadian Depository for Securities Limited. The 10,600,730 shares were registered to 915 shareholders in Canada, one of which is CDS & Co. 2,641,077 of our shares were registered to residents of the United States, including one share registered to CEDE & Co., which is a nominee of Depository Trust Company. The 2,641,077 shares were registered to 389 shareholders in the United States, one of which is CEDE & Co. 161,102 of our shares were registered to residents of other foreign countries (14 shareholders).

Dividends

We have not declared any common share dividends to date. We have no present intention of paying any cash dividends on our common shares in the foreseeable future, as we intend to use earnings, if any, to generate growth. The payment by us of dividends, if any, in the future, is within the discretion of our board of directors and will depend upon, among other things, our earnings, capital requirements and financial condition, as well as other relevant factors. There are no material restrictions in our articles that restrict us from declaring dividends.

CAPITALIZATION

The table below sets forth our cash and cash equivalents and capitalization as of March 31, 2021:

- on an actual basis;
- on a pro forma basis to reflect (i) the exercise of warrants outstanding at March 31, 2021 to purchase an aggregate of 3,353,349 common shares at a weighted average exercise price of $7.50 per share, in each case subsequent to March 31, 2021; and

The pro forma information set forth in the table below is illustrative only and will be adjusted based on the actual number of Warrants that are ultimately exercised and the timing thereof. You should read the information in this table together with our financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	Actual	Pro forma
Cash and Cash Equivalents	$ 14,023,971	$ 39,174,089
Liabilities:		
Government note	0	0
Notes payable	3,580,797	3,580,797
Total liabilities	5,590,230	5,590,230
Equity		
Share capital		
Common shares, no par value; unlimited shares authorized and 13,089,562 shares issued and outstanding on an actual basis, 16,442,911 shares issued and outstanding on a pro forma basis	125,540,108	150,690,226
Class A shares; 5,057 shares authorized and 5,057 issued and outstanding on an actual and on a pro forma and a pro forma as adjusted basis	37,927	37,927
Reserves	11,767,846	11,767,846
Deficit	(117,611,498)	(117,611,498)
Total Equity before non-controlling interest	19,734,383	44,884,501
Non-controlling interest	(7,800,413)	(7,800,413)
Total Equity	11,933,970	37,084,088
Total Liabilities and Equity	$ 17,524,200	$ 42,674,318

The foregoing table and calculations are based on 13,089,562 of our common shares outstanding as of March 31, 2021, and excludes:

- 2,568,568 common shares issuable upon exercise of outstanding warrants, other than the Warrants, at March 31, 2021 with a weighted average exercise price of $5.72;
- 1,293,831 common shares reserved for issuance upon the exercise of outstanding stock options at March 31, 2021 with a weighted average exercise price of $4.71 issued pursuant to our 2017 Stock Option Plan; and
- 309,548 common shares issuable upon conversion of outstanding Versus Systems (Holdco) shares.

DILUTION

If you exercise Warrants in this offering for our common shares, you will experience dilution to the extent of the difference between the price per common share you will pay and the as adjusted net tangible book value per common share after the exercise.

As of March 31, 2021, we had a net tangible book value of $9.7 million, corresponding to a net tangible book value of $0.74 per common share (based upon 13,089,562 common shares outstanding). Net tangible book value per share is determined by dividing the net tangible book value of our company (total tangible assets less total liabilities) by the number of outstanding common shares.

Assuming that we issue all 3,353,349 of the common shares upon exercise of the Warrants in full at their exercise price of $7.50 per share, our as adjusted net tangible book value as of March 31,2021 would have been $34.9 million, representing $2.12 per common share. This represents an immediate increase in net tangible book value of $1.38 per common share to existing shareholders and an immediate dilution in net tangible book value of $5.38 per common share to new investors acquiring common shares upon the exercise of the Warrants. Dilution for this purpose represents the difference between the exercise price per common share paid upon exercise of Warrants and net tangible book value per common share immediately after the exercise, as illustrated by the following table:

Exercise Price per common share		$ 7.50
Consolidated net tangible book value per common share as of March 31, 2021	$ 0.74	
Increase in consolidated net tangible book value per common share attributable to the offering	$ 1.38	
As adjusted consolidated net tangible book value per common share after this offering		$ 2.12
Dilution per common share to new investors participating in this offering		$ 5.38

The number of our common shares that will be outstanding both before and immediately after this offering is based on 13,089,562 common shares outstanding as of March 31, 2021, and excludes as of such date:

- 2,568,568 common shares issuable upon exercise of outstanding warrants, other than the Warrants, at March 31, 2021 with a weighted average exercise price of $5.72;
- 1,293,831 common shares reserved for issuance upon the exercise of outstanding stock options at March 31, 2021 with a weighted average exercise price of $4.71 issued pursuant to our 2017 Stock Option Plan; and
- 309,548 common shares issuable upon conversion of outstanding Versus Systems (Holdco) shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the years ended December 31, 2020 and 2019 should be read in conjunction with our consolidated financial statements and related notes to those consolidated financial statements that are included elsewhere in this prospectus and with our interim consolidated financial statements as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020. Certain information contained in the discussion and analysis set forth below includes 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 prospectus.

Overview

We offer a business-to-business software platform that allows video game publishers and developers, as well as other interactive media content creators, to offer in-game prizing and rewards, based on the completion of in-content challenges. The prizes available are specific to each player based on a variety of characteristics, including age, location, game played, and challenged played. Our platform facilitates several types of single player prize challenges that includes a wide range of prize types including, coupons, sweepstakes-style prizes, Consumer Packaged Goods (CPG), and Downloadable Content (DLC). We sell the opportunity to place in-game prizes to advertisers who wish to place product in-game, sharing a certain portion of the gross receipts with the content and game owners. Our current agreements range from 50% to 60% of revenue being shared with the publisher/developers, with the remaining 50% to 40% of gross receipts belonging to us.

We believe our platform is mutually-beneficial across three targets. Content providers gain increased interaction with their media experience. Brands see a prolonged increase of interests from players and consumers viewing their goods as a positive win rather than a distraction from content. Players and consumers want to interact with content that provides access to these wins, increasing the value of the content as a supplier of opportunities, of the brands as prizes, and of the experience itself as an interactive and desirable challenge.

Our platform allows consumers to become active ad participants seeking a claim to placed brands as victories won through interactions with a variety of media experiences. Users are no longer "just" winning a game or streaming their favorite film. These interactions now bestow bragging rights that extend past the media's original purpose, resulting in winning real world goods and gaining access to experiences.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with the IFRS as issued by the IASB, and Interpretations issued by the IFRIC. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to the allowance for doubtful accounts, the useful life of property and equipment, assumptions used in assessing impairment of long-term assets, and valuation of deferred tax assets.

We base our estimates on historical experience and on various other assumptions that we believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Our consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. Some of the accounting methods and policies used in preparing the financial statements under IFRS are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of our assets, liabilities and shareholders' equity and of our earnings could differ from the value derived from these estimates if conditions changed and these changes had an impact on the assumptions adopted.

Our significant accounting policies that we believe to be critical to the judgments and estimates used in the preparation of our financial statements are included in "note 2 — Basis of Presentation" and "note 3 — Significant Accounting Policies" to our consolidated financial statements included elsewhere in this prospectus.

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 in two primary ways: 1) development and maintenance of custom-built software or other professional services, or 2) the sale of advertising.

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.

For revenues received from the sales of advertising, we are deemed the agent in our revenue agreements. We do not own or obtain control of the digital advertising inventory. We recognize revenues upon the achievement of agreed-upon performance criteria for the advertising inventory, such as a number of views, or clicks. As we are acting as an agent in the transaction, we recognize revenue from sales of advertising on a net basis, which excludes amounts payable to partners under our revenue sharing agreements.

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 sales and marketing, and 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, we separate intangible amortization, amortization expense, interest expense, professional fees and share-based compensation into its own category.

Office and Miscellaneous Expenses. Our office and miscellaneous expenses primarily consist of non-labor overhead expenses, which include health benefits, utilities and other cost to run the back office operations of our company.

Salaries and Wages Expenses. Our salaries and wages are primarily made up of salaries paid directly to our engineers, which comprise most of the employee base within our company. This amount also includes the related payroll taxes and accrued bonuses.

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of the costs of the advertisements and promotions we run in order to expand awareness of our product offerings.

Software and Delivery Costs. Software and delivery costs consist primarily of license fees we pay to access cloud-based software or cloud computing power.

Operating Results

Comparison of Results of Operations for the Three Months Ended March 31, 2021 and 2020

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020:

	For the Three Months Ended March 31,	
	2021	**2020**
	(unaudited)	
Statement of Operations and Comprehensive Income (Loss) Data:		
Revenue	$ 421	$ 260
Amortization	83,942	83,665
Amortization of intangible assets	417,131	540,430
Consulting fees	108,925	189,501
Foreign exchange gain (loss)	(8,378)	214,374
Office and miscellaneous expenses	236,102	285,150
Interest expense	80,953	59,486
Interest expense on lease obligations	14,839	9,467
Professional fees	756,677	90,575
Salaries and wages	1,212,200	607,840
Sales and marketing	258,092	11,899
Software and delivery costs	73,850	98,706
Share-based compensation	254,292	291,761
Operating loss	**(3,487,573)**	**(2,482,594)**
Finance expense	(107,090)	(86,130)
Net loss	**$ (3,594,663)**	**$ (2,568,724)**
Net loss per share (basic and diluted) attributed to Versus Systems Inc.	$ (0.31)	$ (0.20)

Revenue

Our revenues are derived from two primary sources: advertising and services related to integration. Revenue was $421 for the three months ended March 31, 2021, representing an increase of $161, or 62%, from $260 for the three month period ended March 31, 2020. The increase was primarily due to an increase in advertising affiliate revenue.

Amortization of intangible assets

Our intangible assets are comprised of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. Amortization expense was $417,131 for the three months ended March 31, 2021, representing a decrease of $123,299 or 23%, from $540,430 for the three months ended March 31, 2020. The decrease was primarily due to prior-year projects becoming fully amortized in 2021.

Consulting Fees

Consulting fees were $108,925 for the three months ended March 31, 2021, representing a decrease of $80,576 or 43%, from $189,501 for the three months ended March 31, 2020. The decrease was primarily due to a marketing consultant becoming a full-time employee.

Foreign exchange

We have operated to date primarily in the United States and Canada. Foreign exchange gain was $8,378 for the three months ended March 31, 2021, representing a decrease of $222,752, or 104%, from a loss of $214,374 for the three months ended March 31, 2020. The decrease in the loss was due to appreciation of the U.S. dollar relative to the Canadian dollar.

Office and miscellaneous expenses

Office and miscellaneous expenses were $236,102 for the three months ended March 31, 2021, representing a decrease of $49,048, or 17%, from $285,150 for the three months ended March 31, 2020. The decrease was primarily due to working remotely in 2021.

Professional Fees

Professional fee expense was $756,677 for the three months ended March 31, 2021, representing an increase of $666,102, or 735%, from $90,575 for the three months ended March 31, 2020. The increase was primarily due to legal expenses related to a potential acquisition and expenses related to the public offering.

Salaries and wages

Salaries and wages was $1,212,200 for the three months ended March 31, 2021, representing an increase of $604,360, or 99%, from $607,840 for the three months ended March 31, 2020. The increase was primarily due to hiring additional employees.

Sales and marketing

Sales and marketing expense was $258,092 for the three months ended March 31, 2021, representing an increase of $246,193, or 2,069%, from $11,899 for the three months ended March 31, 2020. The increase was primarily due to increased spending on market awareness advertising campaigns.

Software and delivery costs

Software and delivery costs expense was $73,850 for the three months ended March 31, 2021, representing a decrease of $24,856, or 25%, from $98,706 for the three months ended March 31, 2020. The decrease was primarily due to a decrease in the number of software tools and licenses used.

Share-based compensation

Share-based compensation expense was $254,292 for the three months ended March 31, 2021, representing a decrease of $37,469, or 13%, from $291,761 for the three months ended March 31, 2020. The decrease was primarily due to the timing of options vesting and the increase in the fair value of options issued.

Loss from Operations

Loss from operations was $3,595,294 for the three months ended March 31, 2021, representing an increase of $1,026,570, or 40%, from $2,568,724 for the three months ended March 31, 2020. The increase was primarily due to an increase in salaries and wages as well as one-time costs associated with the public offering and a potential acquisition.

Comparison of Results of Operations for the Year Ended December 31, 2020 and 2019

The following table summarizes our results of operations for the year ended December 31, 2020 and 2019:

	For the Year Ended December 31,	
	2020	**2019**
	(unaudited)	
Statement of Operations and Comprehensive Income (Loss) Data:		
Revenue	$ 1,864,709	$ 664,922
Amortization	323,060	327,221
Amortization of intangible assets	1,706,972	2,530,590
Consulting fees	624,136	814,128
Foreign exchange gain (loss)	33,160	38,797
Office and miscellaneous expenses	343,240	424,992
Interest expense	233,388	225,334
Interest expense on lease obligations	80,640	104,384
Professional fees	1,047,086	445,603
Salaries and wages	3,440,720	3,252,789
Sales and marketing	652,303	787,398
Software and delivery costs	346,005	244,594
Share-based compensation	1,407,414	839,249
Operating loss	**(8,373,415)**	**(9,370,157)**
Finance expense	(371,061)	(257,448)
Loss on disposal of shares	(508,050)	-
Other expense	(18,634)	-
Net loss	**$ (9,271,160)**	**$ (9,627,605)**
Net loss per share (basic and diluted) attributed to Versus Systems Inc.	$ (0.84)	$ (0.98)

Revenue

Our revenues are derived from two primary sources: advertising and services related to integration. Revenue was $1,864,709 for the year ended December 31, 2020, representing an increase of $1,199,787, or 180%, from $664,922 for the year ended December 31, 2019. The increase was primarily due to an increase in services provided to HP during 2020 as compared to services provided to HP during 2019.

Amortization of intangible assets

Our intangible assets are comprised of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. Amortization expense was $1,706,972 for the year ended December 31, 2020, representing a decrease of $823,618, or 33%, from $2,530,590 for the year ended December 31, 2019. The decrease was primarily due to prior-year projects becoming fully amortized in 2020.

Foreign exchange

We have operated to date primarily in the United States and Canada. Foreign exchange loss was $33,160 for the year ended December 31, 2020, representing a decrease of $5,637, or 15%, from a loss of $38,797 for the year ended December 31, 2019. The decrease in the loss was due to changes in the foreign exchange translation between the U.S. and Canadian dollar.

Office and miscellaneous expenses

Office and miscellaneous expenses were $343,240 for the year ended December 31, 2020, representing an decrease of $81,752, or 19%, from $424,992 for the year ended December 31, 2019. The decrease was primarily due to a decrease in non-labor expenses related to COVID-19 as all of our employees worked remotely for the majority of the year ended December 31, 2020.

Professional Fees

Professional fee expense was $1,047,086 for the year ended December 31, 2020, representing an increase of $601,483, or 135%, from $445,603 for the year ended December 30, 2019. The increase was primarily due to additional expenses incurred to support expansion of the business and the costs and expenses related to offering of common shares.

Salaries and wages

Salaries and wages was $3,440,720 for the year ended December 31, 2020, representing an increase of $187,931, or 6%, from $3,252,789 for the year ended December 31, 2019. The increase was primarily due to an increase in wages and payroll cost.

Sales and marketing

Sales and marketing expense was $652,303 for the year ended December 31, 2020, representing a decrease of $135,095, or 17%, from $787,398 for the year ended December 31, 2019. The decrease was primarily due to reduced spending on market awareness advertising campaigns.

Software and delivery costs

Software and delivery costs expense was $346,005 for the year ended December 31, 2020, representing an increase of $101,411, or 41%, from $244,594 for the year ended December 31, 2019. The increase was primarily due to an increased number of players and rewards provided on our software as well as an increase in the number of software tools and licenses used.

Share-based compensation

Share-based compensation expense was $1,407,414 for the year ended December 31, 2020, representing an increase of $568,165, or 68%, from $839,249 for the year ended December 31, 2019. The increase is primarily was due to the timing of options vesting and the increase in the fair value of options issued.

Loss from Operations

Loss from operations was $8,373,415 for the year ended December 31, 2020, representing a decrease of $996,742, or 11%, from $9,370,157 for the year ended December 31, 2019. The decrease was primarily due to an increase in revenue earned and a decrease in payroll-related expenses and the amortization of intangible assets.

Loss on Disposal of Marketable Securities

Loss on disposal of marketable securities was $508,050 for the year ended December 31, 2020, representing an increase of $508,050, or 100%, from none for the year ended December 31, 2019. The increase was due to our purchase and sale of shares of capital stock of Animoca Brands Corporation Ltd. (“Animoca Brands”) during the year ended December 31, 2020.

On July 25, 2019, we entered into a Mutual Investment Agreement with Animoca Brands, a Hong Kong-based leader in the field of digital entertainment, specializing in blockchain, gamification, and artificial intelligence technologies to develop and publish a broad portfolio of mobile gaming products such as *The Sandbox*, *Crazy Kings*, and *Crazy Defense Heroes,* as a step toward partnering with Animoca Brands to allow us to reach into a key growth market on a large scale.

The terms of the mutual investment agreement provided for a stock swap between Animoca Brands and our company in the amount of US$500,000 based upon, in the case of our common shares, the higher of (i) $ 0.23 per share, or (ii) the 21-day volume weighted average price per share of our common shares on the date the agreement was approved by our Board of Directors, and, in the case of the Animoca Brands shares, the higher of (i) AU$0.18 per share, or (ii) the 21-day volume weighted average price per share of the Animoca Brands shares as of the date the agreement was approved by the Animoca Brands shareholders. The transaction was consummated on April 6, 2020.

On April 28, 2020, we sold our acquired block of Animoca Brands stock to a buyer for the price of $0.05AU per share in order to provide immediate liquidity during the COVID-19 pandemic in advance of being approved for, or receiving, any funds from the Paycheck Protection Program for which we had applied. For financial accounting purposes, we had recorded the value of our Animoca Brands shares at $0.1614 per share, based on the closing price of our common shares on the Canadian Securities Exchange on the April 6, 2020 closing date. As a result, we recorded a loss of approximately $500,000 in connection with that transaction.

Cash Flows for the Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

The following summarizes the key components of our cash flows for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net cash used in operating activities	$ (3,329,575)	$ (968,189)
Net cash used in investing activities	(373,862)	(508,217)
Net cash provided by financing activities	14,761,451	1,391,824
Net increase in cash	$ 11,058,014	$ (84,582)

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2021 was $3,329,575 as compared to $968,189 for the three months ended March 31, 2020. The increase in net cash used in operating activities was primarily attributable to the increase of the loss for the period and changes in accounts payable and accrued liabilities.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2021 was $373,862 as compared to $508,217 for the three months ended March 31, 2020. The change in cash flow used in investing activities was primarily attributable to a decrease in the development of intangible assets.

Financing Activities

Net cash provided by financing activities was $14,761,451 for the three months ended March 31, 2021 as compared to $1,391,824 for the three months ended March 31, 2020. The change in cash flow provided by financing activities was mainly attributable to proceeds from the public offering and the exercise of warrants offset by payments on notes payable and share issuance costs.

Cash Flows for the year ended December 31, 2020 Compared to the year ended December 31, 2019

The following summarizes the key components of our cash flows for the year ended December 31, 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net cash used in operating activities	$ (5,093,562)	$ (5,467,875)
Net cash used in investing activities	(1,221,401)	(1,939,858)
Net cash provided by financing activities	9,181,711	7,472,942
Net increase (decrease) in cash	$ 2,866,748	$ 65,209

Operating Activities

Net cash used in operating activities for the year ended December 31, 2020 was $5,093,562 as compared to $5,467,875 for the year ended December 31, 2019. The decrease in net cash used in operating activities was primarily attributable to a decrease in the amortization of intangible assets and forgiveness of the PPP loan offset by a loss on the sale of investment.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2020 was $1,221,401 as compared to $1,939,858 for the year ended December 31, 2019. The change in cash flow used in investing activities was primarily attributable to the timing of payments related to payroll capitalized for the development of intangible assets.

Financing Activities

Net cash provided by financing activities was $9,181,711 for the year ended December 31, 2020 as compared to $7,472,942 for the year ended December 31, 2019. The increase in cash flow provided by financing activities was mainly attributable to an increase in proceeds from the issuance of share capital and a decrease in repayment in notes payable, offset by a decrease in proceeds from notes payable.

Indebtedness

Government Note

In May 2020, we received loan proceeds in the aggregate amount of $829,937 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act within the United States in response to the COVID-19 pandemic, provides for loans to qualifying businesses. A portion of the loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries. No collateral or guarantees were provided in connection with the PPP loans.

The unforgiven portion of the PPP loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. We intend to use the proceeds for purposes consistent with the PPP. For the year ended December 31, 2020, we incurred eligible payroll cost of $829,937 which were fully offset against the loan balance. Of the total loan balance, $228,269 was applied towards payroll cost capitalized as intangible assets.

Notes Payable

From December 8, 2017 to December 31, 2020, we issued $7,692,000 aggregate principal amount of promissory notes primarily to Brian Tingle, one of our directors. The notes bear interest at the prime rate of the Bank of Canada, which has ranged from 2.45% to 3.95% per annum, compounded annually, that is payable quarterly, and had a maturity date of three years from the date of issuance. The interest rates of the notes were considered below our estimated market borrowing rate of 10% and as such, a contribution benefit was recorded in reserves at the time of issuance for each note. As at December 31, 2020, we had recorded $472,107 in accrued interest that was included in accounts payable and accrued liabilities.

At the closing of the Public Offering, outstanding notes in the principal amount of US$1,500,000, plus US$128,750 of accrued interest thereon, was exchanged for units that are comprised of the same securities, and are valued at an amount equal to the purchase price of, the units offered by us in the Public Offering, which was US$7.50 per unit.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2019 and the effects, including estimated interest payments, that such obligations are expected to have on our liquidity and cash flows in future periods:

	Payment Due by Period						
	Total	2020	2021	2022	2023	2024	Thereafter

	(in thousands)						
Note payable	$ (4,815)	$ (580)	$ (2,504)	$ (1,731)	$ —	$ —	$ —
Lease liabilities	(1,122)	(328)	(324)	(311)	(159)	—	—
Total	**$ (5,937)**	**$ (908)**	**$ (2,828)**	**$ (2,042)**	**$ (159)**	**$ —**	**$ —**

Off-balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Foreign Currency Exchange Rate Risk

Our primary operations are in the United States. Thus, our revenues and operating results may be impacted by exchange rate fluctuations between Canadian dollars and U.S. dollars. For the three months ended March 31, 2021 and 2020, the foreign currency translation gain/loss was not material to our financial statements.

Inflation

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

BUSINESS

We offer a proprietary business-to-business software platform that allows video game publishers and developers, as well as other interactive media content creators, to offer in-game prizing and rewards based on the completion of in-content challenges. The prizes or rewards offered are specific to each player or viewer based on a variety of user- and content-based characteristics, including age, location, game played and challenge undertaken. Our platform facilitates several types of single player prize challenges that includes a wide range of prize types, including coupons, sweepstakes-style prizes, consumer packaged goods ("CPG") and downloadable content ("DLC").

We believe our platform is mutually-beneficial across three target groups. By providing in-content prizes or rewards, content providers gain increased and longer interaction by users or viewers with the media experience they offer. Consumer brands offering in-content prizes or rewards see a prolonged and increased interest from players and consumers who view their goods as a positive "win" within their viewing experience rather than as a distraction from the content they are watching as is typically the case with traditional in-content advertising. Players and consumers who are offered prizes or rewards have an increased desire to interact with such content, which increases the value of the content as a supplier of prizing opportunities, of the brands that offer the prizes, and of the experience itself as an interactive and desirable challenge.

We market our platform and its benefits to two industry segments: the owners or developers of consumer brands and their marketing and advertising professionals and for media content creators, owners and platforms. To the owners or marketers of consumer brands, we sell the opportunity to place their products as prizes or rewards in selected on-line games, media or content and we share a certain percentage of the gross receipts we receive from such customers with the owners of the media in which the prizes or rewards are offered. Our current agreements with the owners or marketers of consumer brands provide that we are paid a fee to place their ads in content, the amount of which is based either on the number of ads placed or upon the performance of those ads relative to the brand's goals.

To content creators, owners and platforms, which currently include primarily video game developers and computer hardware manufacturers, we sell the opportunity to include our proprietary platform in their content or hardware and to use such platform as a basis for selling advertising to popular consumer brands. We also sell any engineering and consulting services to support the integration of our platform, including any custom development efforts that might be required. To date, our revenues have principally come from these customization and integration services. Our current agreements with content or game owners, including HP, Kast and Animoca Brands, provide that from 50% to 60% of advertising revenue will be kept by, or shared with, the publisher or developer, with the remaining 50% to 40% of gross receipts belonging to us. HP, our largest customer during the years ended December 31, 2020, 2019, and 2018 installs our platform in its OMEN and Pavilion brands of personal computers that are manufactured primarily for gamers and general use as a means of increasing usage and desirability of those computers by consumers.

Our platform allows consumers to become active advertising participants by seeking to claim the brand's prizes or rewards as victories won through interactions with a variety of media experiences. Users are no longer "just" winning a game or streaming their favorite film. These interactions now bestow bragging rights on the consumers that extend past the media's original purpose, resulting in winning real world goods and gaining access to experiences.

According to a 2018 study by the University of California, Los Angeles Center for Management of Enterprise in Media, Entertainment and Sports, the introduction of rewards benefits content providers, brands and players in the following perspectives, leading to:

- 34% more play time;
- 77% more live viewers;
- 97% higher satisfaction while interacting with a virtual entertainment experience (i.e., video games);
- 10% increase in audience - 10% of players are new players, downloading the game for the first time because of prizes; and
- 4+ hours of additional engagement per week.

Our technology facilitates advertising as a narrative, not as a distraction. By creating an environment that makes brands part of a desired experience - winning prizes or rewards - we empower content providers and brands to engage consumers more effectively and for more extended periods of time.

Our Strengths

While we believe our overall value is generated from our ability to directly increase player and viewer engagement, we see the following as our core strengths:

- ***Choice and Earned-Rewards is a Better Model for Players***. While we sell our ad units to agencies, brands and companies that seek to reach media players and viewers, our primary goal will always be to make games and media experiences more fun. Our objective is to build ad units that do not increase viewer/player churn, but in fact increase player engagement. We believe our focus on how the player views the experience - offering them choice and an opportunity to both earn the reward and achieve the gratification of a successful win - will be the key differentiator in the in-game and in-app advertising market. While other competitors in the advertising industry may have more reach at the moment, we believe the increasing numbers of players who want the superior experience of rewards rather than banner ads, commercials and un-skippable videos will ultimately win out.

- ***Our Team is Diverse, Accomplished and Effective***. We have brought together experts in the game industry, software development, advertising, product design and development, and corporate finance. Our Executive Chair, Keyvan Peymani, was the Head of Startup Marketing for Amazon Web Services, and our advisory board includes the former Vice President of Revenue for Activision Blizzard, the Chief Executive Officer of Radley Media, and a number of veterans of the global gaming industry. Our designers and engineers have built hundreds of successful products from games and apps, including the NFL.com fantasy football platform. We are curious, creative, community-oriented problem solvers who have come together to make a world-class software solution. As a result, we have won multiple awards as one of the best places to work in Los Angeles, and one of the best places to work anywhere for millennial women. We are extremely proud of our team and our culture. We believe it allows us to hire, retain, promote and develop the very best talent.

- ***Our Technology is Robust, Scalable and Flexible***. We have architected a platform that will allow any content publisher to integrate real-world prizes into their system, and allow any brand or agency to place their products, discounts, codes and coupons into an earned-rewards framework. We have software development kits that are compatible with millions of games, and apps, as well as ways to work with iOS and Android devices, PCs, consoles, Apple TVs, and other peripherals. The back end of our platform is built in Elixir by some of the world-experts in that language. The Elixir back end allows the type of massively scalable system that will be required for AAA games and app partners with millions of users. The strengths of the code base are its ability to manage huge numbers of concurrent users with localized failure - such that if there is an issue with a single player's match it does not affect larger portions of the system. We can add new features, new games, entire new verticals easily. We can also adapt to changing regulatory environments around prizing, sweepstakes, privacy and other issues by managing our geofencing for where any given prize is offered. Our Dynamic Regulatory Compliance system is the direct result of years of thoughtful system architecture and development - an achievement that we believe sets us apart from competitors.

- ***Our IP portfolio is Strong and Growing***. We have been issued two key patents from the U.S. Patent and Trademark Office (USPTO) with dozens of granted claims around how to offer players prizes in-game at scale. We have been awarded claims covering how to maintain and promote competitive balance in multiplayer games, how to use multi-factor tests to serve up only relevant prizing on a per-player basis, how to use a player's location, game, and age to determine eligibility for certain kinds of prizes in certain kinds of single player games, competitive games, tournaments, synchronous and asynchronous matches. We have several other patent filings in various stages at the USPTO and we are working with our technology and legal teams to develop new and defensible IP in this space. We want to be the only real solution for global in-game and in-app rewards.

- ***The Support of Our Partners Helps US Grow***. Our rewards platform is currently deployed in all HP OMEN and HP Pavilion Gaming laptops and desktop computers in the U.S., and we launched our platform in China with HP in August 2020. Our multi-year agreement with HP is to bring rewards to all their players worldwide as a way to differentiate HP hardware and to engage with a massive global audience. Beyond HP, we are also partnered with Animoca Brands, a developer of games that have been downloaded hundreds of millions of times. We have also partnered with Ludare, a licensed mobile game developer that makes licensed games for titles in the *Men in Black* series. Beyond gaming, we are working with Kast, a video sharing application with millions of viewers, and are developing partnerships in the fitness/health and wellness industries. As we grow our user base, we believe we will become more desirable for brand and advertising partners and we expect to increase our transactional revenues exponentially while staying on a capital-efficient low-cost trajectory.

Our Growth Strategy

While other forms of advertising technology focus mostly upon increasing monetization only for the advertiser, we believe we change the universe of beneficiaries significantly. Our approach creates simultaneous wins for content providers, brands and consumers. We believe today's audiences not only seek engagement, but are also consummate purveyors of media, with no shortage of content choice. We recognize that keeping engagement high is the key to changing the negative association of traditional media advertising. By creating a prizing opportunity, brand introductions mean a chance to win rather than switching to another tab, source or device while waiting for selected content to return.

Our growth strategy can really be summarized into three areas: grow the audience, grow the prize provider pool, and then constantly iterate and improve.

The key elements of our long-term growth strategy include:

- ***Increase Applications and Verticals***. To grow our user base, we will seek to increase the number of games, applications and content providers that have integrated our platform across an increasing number of industries. Part of that process will involve making our platform easier to integrate into the wide variety of media, which we are doing, but the rest is putting our value proposition in front of a larger group of game and app developers. Integrating into new categories and industries allows us a greater pool of potential applications with which to integrate, and therefore a greater pool of potential users. We intend to focus on gaming, streaming media, and health & wellness applications, but may seek to expand to other verticals as opportunities arise. We believe this will significantly grow our user base.

- ***Integrate into More Devices and Software Languages***. Our platform is currently available in applications running on laptops and desktops, as well as in mobile devices powered by iOS and Android operating systems through a series of software development kits (SDKs) which we have created. We strive to make our rewards platform available to, and compatible with, all kinds of devices. The current engineering roadmap includes additional support for the tens of millions of console gaming systems like the new Xbox and PlayStation consoles. We are also developing features for a number of wearable devices that are in the marketplace, which we believe will increase our user base in the health & wellness vertical.

- ***Develop a Global Reach***. The United States is one of the world's largest gaming markets, with nearly $37 billion in annual revenue according to a Newzoo 2020 Global Games Report. We intend to deepen our penetration of the U.S. market. However, we believe there is significant opportunity for expansion of our offerings into the rest of the world, starting with Asia and Europe. In August 2020, our platform became available for the first time in China, and we plan to expand in Asia and move into Europe in 2021. Because our platform is built to optimize value for a player based on his or her location, we believe we are uniquely positioned to offer location-specific rewards and prizes for players all over the world. As we move into new geographies, we believe we will gain new players and new brands and prize providers that can offer real, local value.

- ***Add More Prizing Partners***. Increasing the number of prize providers - the largest growth area for our company - and the one that will be the most lucrative - is at the center of our growth strategy. We have built out a sales team and we are adding both salespeople and sales assets to pursue both agencies and individual vendors who may want to use our platform to promote their businesses. At the same time, we are also working to make our tools easier for prizing partners to use - including building functionality for businesses that use e-commerce platforms such as the Shopify platform, and for others who want to self-direct their prizing campaigns.

- ***Constantly Improve Outcomes***. We are dedicated to improving the quality of the outcomes for our partners. We have developed a number of tools to evaluate the efficacy of each advertising campaign, and part of our value to our brand partners is providing them with anonymized but actionable information on each of their campaigns on our platform. Our analytics are focused on response rates, transaction rates, customer acquisition cost, and many other aspects of the step-by-step funnel from activation to registration, all the way through to lifetime customer value. We continually review outcomes and if there is a way to improve the transaction rate - to get winners, players or viewers to engage with our brand partners while retaining our core goal of making the media more fun - then we will make the necessary changes to improve those outcomes. This core tenet of our approach requires dedication to research, player and user outreach, surveys, and constant design improvements. We believe this strategy will produce yields in loyalty, affinity and Return on Ad Spend (ROAS) for our partners, which will drive future growth.

- ***Grow Revenues and Market Share***. We are always looking for opportunities to grow through selective acquisitions and while much of our current roadmap is devoted to organic growth, we are also aware of a number of potential partnerships through which we may gain market share through inorganic growth via selective acquisition. Performance marketing is a growing field, as is interactive media advertising, and there may be opportunities to grow our sales team, our service offerings or our reach through acquisition.

Our Services

In addition to licensing our prizing and rewards platform, we provide the following services to our partners and customers:

- ***Design, Development, and Platform Integration Services***. Our patented platform can be integrated into games and interactive media through a number of Software Development Kits (SDKs), including SDKs for iOS, Android, Unity, C++ and others. We also work with partners such as HP to develop bespoke instances of our rewards platform, as we did with their OMEN Rewards system available inside OMEN Command Center in every HP OMEN and Pavilion gaming desktop and laptop. We also offer professional design, development and platform integration services to content partners who seek a more bespoke solution.

- ***White-Label Rewards Platforms***. Our technology can be easily integrated into mobile apps to track any behavior that a content, publishing, or health and fitness program partner may want to incentivize. We can also white label and/or license technologies like our stand-alone mobile app to enable partners to create an entire rewards ecosystem where activities in one application earn rewards or discounts from another part of the same company. For example, we can assist a partner in creating a mobile app that would allow a consumer to earn movie tickets to a comic book movie for purchasing or reading the online comic, or a consumer to earn discounts on in-stadium concessions or on team apparel for playing a sports trivia game or for watching games live on his or her mobile device. We work with content partners to create entire in-house rewards programs for their users that promote cross-sales within a company, or new channels for the sale of licensed goods, or new opportunities for event or brand sponsors. Our systems and applications can be white labeled and sold as a rewards platform for those partners looking to increase engagement and stickiness with their customers.

- ***Advertising services***. In connection with the placement or licensing of our platform, we market our services to brand partners to place their products, discounts or coupons into Versus-enabled content so that users, viewers and players can earn those rewards for their in-game or in-app behavior. When providing those services, we typically charge the brand only when a player attempts to win one of the brand's proffered prizes. However, in certain cases may also charge on a cost-per-click (CPC), cost-per-engagement (CPE) or a cost per acquisition (CPA) model.

Recent Business Developments and Milestones

Within the past two years, we have had the following milestones occur in support of our company's growth strategy:

Strategic Partnership with Frias Agency

On March 5, 2021, we entered into a Strategic Cooperation Agreement with Frias Agency pursuant to which our technology platform may be offered to clients of Frias, such as Corona, Cerveza Modelo, Cerveza Pacifico, Crush, Kim Crawford, Meiomi, Blue Chair Bay, and Casa Noble. Frias also works with major athletes like Canelo Alvarez and sports promoters like Matchroom Boxing and Premier Boxing Champions. The Versus partnership with Frias expects to extend prizing into live sporting events starting Summer 2021 for soccer, boxing, wrestling and MMA, as well as live music festivals and tours.

Master Services Agreement with Xcite Interactive.

On February 17, 2021, we entered into a Master Services Agreement with Xcite Interactive pursuant to which our prizing platform will be added to the Xeo Platform, a second-screen engagement tool used by producers of live events such as the NFL, NBA, NHL, ML, and NCAA, as well as the Olympics, the World Cup, X-Games, Formula1 and corporate events around the world, to incentivize audiences to play live predictive, polling and trivia games, either at-home, in-stadium or in-venue, before or during the live event. We estimate that the products we co-develop with Xcite Interactive will be available in the second quarter of 2021.

BTC Studios Integration Agreement for European Games Developer

On October 14, 2020, we entered into an agreement with BTC Studios, a European games developer and publisher focused on family-friendly mobile games, to bring our proprietary in-app rewards technology to BTC's free-to-play and family-friendly puzzle game, "*Taffy: Feed The Kitty."*

China Launch with HP OMEN and Pavilion

On August 24, 2020, we launched our platform in China. It is available as OMEN Rewards on HP's OMEN and Pavilion computers.

ePlay Digital Health and Wellness Application

On August 10, 2020, we announced an agreement with ePlay Digital to bring our proprietary in-app rewards technology to ePlay's health and wellness applications and platforms. With ePlay, we expand into the global wellness market, valued at over $4 trillion according to the Global Wellness Institute. ePlay's catalog of health, wellness and personal improvement applications further diversifies our content offerings for reward partners in video content platforms and lifestyle mobile applications.

Animoca Brands

On April 9, 2020, we announced an agreement with Animoca Brands to bring our proprietary in-game rewards technology to mobile games developed by Animoca Brands. We are currently working with Animoca Brands to integrate real-world rewards into its mobile properties. We have already negotiated a share swap and investment program, announced in August 2019, and have continued to expand upon that relationship in 2020. Animoca Brands leverages gamification, blockchain and artificial intelligence technologies to develop and publish a broad portfolio of mobile products. Animoca Brands has operations in Hong Kong, Canada, Finland and Argentina.

iClick Interactive Agreement

On December 9, 2019, we entered into a commission sales agreement with iClick Interactive to collaborate and bring our technology to iClick's customer base in China. iClick is an independent online marketing and enterprise data solution provider in China that expertly connects brands to consumers in China with omnichannel, integrated, cross-platform and cross-screen advertising, leveraging its over 800 million Chinese consumers' datasets.

As discussed above, we first launched our platform in China in August 2020 and are currently testing that platform for technical, business and user interface and design issues. We anticipate a larger and more comprehensive launch of our platform in China during the first half of 2021, following which we expect to begin generating revenues from our iClick relationship as brands introduced by iClick begin using our platform to reach consumers by offering in-game prizing and rewards.

HP Omen Rewards Launch

In March 2019, Versus LLC entered into a Software License, Marketing and Linking Agreement with HP (the "HP Agreement") to provide for, among other matters, the agreement of HP to include a customized HP-branded version of our in-game prizing and rewards platform as a pre-installed software program in all of HP's OMEN and Pavilion brand personal computers that are sold throughout the world. Please see our discussion of the HP Agreement under Item 10.C Material Contracts.

Sales and Marketing

Our sales and marketing organizations work together closely to drive market awareness, build a strong sales pipeline and cultivate customer relationships to drive revenue growth.

Sales. We primarily sell access to our platform and service offerings through our direct sales organization, which is comprised of inside sales and field sales professionals who are segmented by industry. Our direct sales organization also leverages our network of channel partners to expand our reach to additional sectors and industries, especially internationally. Our resellers market and sell our offerings throughout the U.S. and provide a go-to-market channel in regions in which we do not have a direct presence.

Once a sale is made, our sales team leverages our land-and-expand model to generate incremental revenues through increased levels of adoption of our platform by our customers. To drive such expansion in our existing customers, our direct sales team works closely with our accounts team, sales engineers and creative services team to ensure customer success.

Marketing. We focus our marketing efforts on building our brand reputation, increasing the awareness of our platform, and driving customer demand through campaigns that leverage our innovation, thought leadership, technical resources and customer success stories. We use various marketing strategies to engage with prospective customers, including email marketing, digital advertising, public relations, search engine optimization, social media, and thought leadership in the industry. Our technical leaders also frequently speak as subject matter experts at market-leading developer events, such as *ElixirConf*.

Research and Development

Our research and development team consists of technical engineering, product management, and user experience, and is responsible for the design, architecture, creation, and quality of our platform. We invest substantial resources in research and development to enhance our platform features and functionalities and expand the services we offer. We believe the timely development of new, and the enhancement of our existing, services and platform features is essential to maintaining our competitive position, and we continually incorporate suggestions, feedback and new use cases from our community and customers into our platform. Our research and development team works closely with our technical operations team to ensure the successful deployment and monitoring of our platform to provide a platform that is available, reliable and stable, as well as with our customer success team to collect user feedback to enhance our development process. We utilize an agile development process to deliver numerous software releases each year and hundreds of minor releases, fixes and updates.

Competition

Advertising in interactive media is a highly competitive business, characterized by increasing product introductions and rapidly-emerging new platforms and technologies. With respect to competing for customers for our platform, we will compete primarily on the basis of functionality, quality, brand and customer reviews. We will compete for platform placement based on these factors, as well as our relationship with the content owner, historical performance, perception of sales potential and relationships with owners and licensors of brands, properties and other content.

We believe that our small size will provide us a competitive edge in the near term and allow us to make quick decisions as to product development to take advantage of customer preferences at a particular point in time.

With respect to our prizing and rewards platform, we compete with a continually increasing number of companies, including industry leaders such as TapJoy and Otello. We could also face increased competition if large companies with significant online presences, such as Apple, Google, Amazon, Facebook or Yahoo, choose to enter or expand into the prizing or rewards space or develop competing platforms.

In addition, given the open nature of the development and distribution for smartphones and tablets, we also compete or will compete with a vast number of small companies and individuals in all of our segments who are able to create and launch software programs and platforms for these devices using relatively limited resources and with relatively limited start-up time or expertise.

Most of our competitors and our potential competitors have one or more advantages over us, including:

- significantly greater financial and personnel resources;
- stronger brand and consumer recognition;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- more substantial intellectual property of their own;

- lower labor and development costs and better overall economies of scale; and
- broader distribution and presence.

Government Regulation

We are involved in a variety of areas that are subject to governmental oversight. While we have developed a flexible platform designed to adjust to a changing legal and regulatory landscape, there are a number of areas where federal, state and international law could force us to make significant adjustments to our strategies and deployment efforts. As such, as with many companies in both the software and advertising spaces, there are risks associated with the potential impacts of government regulation.

As a company that facilitates the distribution of real-world prizes for in-game and online activities, we are, in some cases and for some campaigns, subject to laws that surround sweepstakes, contests, and games of skill. While we use best efforts to ensure that all contests are compliant with federal, state, and local laws pertaining to the game type, contest type, prize type, and the eligibility of individual players, among other concerns, we are subject to those regulations and those regulations may change. We have filed patents, and have been granted certain patent claims, protecting our ability to use player characteristics like player location, player age, and contest type to adjust eligibility in specific contests with the intent of providing dynamic regulatory compliance. We also have also designed the platform to make it possible to expeditiously cease providing prizes in certain jurisdictions, or cease offering certain types of contests, such as sweepstakes or other contest types, if that becomes necessary. If necessary, we can make these changes without interruption to our campaigns and contests in other jurisdictions.

Certain of our campaigns and contests may be subject to laws and regulations applicable to companies engaged in skill-based contests. As we partner with our brand and content partners to offer prizes that players may earn as a result of their in-game activities, we may be subject in some cases to the federal Deceptive Mail Prevention and Enforcement Act as well as certain state prize, gift, or sweepstakes statutes that may apply to certain experiences that we or our customers and partners may run from time to time. Our system does allow us to adjust terms of service to account for this and other acts. We may also choose not to offer certain campaigns, contests or prizes in certain areas because of these regulations.

In addition, certain states prohibit, restrict, or regulate contests in a number of ways, particularly with respect to payment of entry fees, and the size, value, and/or source of prizes to participants in such contests. Certain other states require companies to register and/or insure certain types of contests. While we do not typically require entry fees or consideration of any type from our players, and thus based on legal research conducted, are not subject to these regulations in most cases, we do remain conscious of these regulations. We may choose to not offer certain prizes or certain contests in certain areas due to these regulations. We can do so without interruption to other services and other jurisdictions. While at this time, our operations are not subject to certain regulations, for example the pay-to-play regulations, given that our platform is free-to-play, we are conscious that because the nature of our services is relatively new and is rapidly evolving, we may not be able to accurately predict which regulations will be applied to our business. We may also at some point become subject to new or amended regulations.

Further, our online in-game prizing and rewards platform, which may be integrated into games whose player bases include individuals ranging from elementary school age children to adults, is subject to laws and regulations relating to privacy and child protection. Through our applications and online platform, we, and the content creators, owners and platform owners that incorporate our proprietary platform into their media or hardware, may monitor and collect certain information about child users of these games and forums. A variety of laws and regulations have been adopted in recent years aimed at protecting children using the internet, such as the Federal Children's Online Privacy Protection Rule (COPPA). COPPA sets forth, among other things, a number of restrictions related to what information may be collected with respect to children under the age of 13, as the kinds of content that website operators may present to children under such age. There are also a variety of laws and regulations governing individual privacy and the protection and use of information collected from individuals, particularly in relation to an individual's personally identifiable information (e.g., credit card numbers). We currently employ multiple measures to ensure that we are COPPA-compliant. We screen for age at registration, we address the issue in our terms of service, and we employ a kick-out procedure during member registration whereby anyone identifying themselves as being under the age of 13 during the process may not register for a player account on our website or participate in any of our online experiences or tournaments without linking their account to that of a parent or guardian.

In the area of information security and data protection, many states have passed laws requiring notification to users when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to implement. And while we believe that we are currently in compliance with these and other data protection regulations, including the privacy regulations set out below, the costs of compliance with these laws may increase in the future as a result of changes in interpretation. Furthermore, any failure on our part to comply with these laws may subject us to significant liabilities.

We are also subject to federal, state and foreign laws regarding privacy and protection of our users' personal information and related data, including the California Consumer Privacy Act (CCPA), which took effect in January 2020, providing California residents increased privacy rights and protections, including the ability to opt out of sales of their personal information; and we are subject to the European Union's (EU) General Data Protection Regulation (GDPR) which took effect in May 2018 and established requirements applicable to the handling of personal information of EU residents. The CCPA may increase our compliance costs and exposure to liability. Other U.S. states are considering adopting similar laws.

We post our Terms of Service and Privacy Policy on our website where we set forth our practices concerning the use, transmission and disclosure of player data. We also require players to agree to these terms when they register for our service. Our failure to comply with our posted privacy policy or privacy related laws and regulations could result in proceedings against us by governmental authorities or others, which could damage our reputation and business. In addition, the interpretation of data protection laws, and their application to the Internet is evolving and not settled. There is a risk that these laws may be interpreted and applied in an inconsistent manner by various states, countries and areas of the world where our users are located, and in a manner that is not consistent with our current data protection practices. Complying with these varying national and international requirements could cause us to incur additional costs and change our business practices. Further, any failure by us to adequately protect our users' privacy and data could result in a loss of player confidence in our services and ultimately in a loss of players, which could adversely impact our business.

Based on legal research conducted, we believe we are currently in compliance with all applicable state and federal laws and regulations related to our business. We continually monitor our activity and changes in such laws in order to ensure, to the best extent possible, that we remain in compliance with such laws. State and federal regulation of internet-based activity, including online prizing and rewards, is evolving and there can be no assurance that future legislation, regulation, judicial decisions, US Attorney, or state attorney general actions will not restrict or prohibit activities such as those made possible by our platform. Such regulation would have a material adverse effect on our business and operations.

Organizational Structure

The following chart reflects our organizational structure (including the jurisdiction of formation or incorporation of the various entities):

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest
Versus Systems (Holdco), Inc.	United States of America	66.8%
Versus Systems UK, Ltd	United Kingdom	66.8%
Versus, LLC	United States of America	66.8%

Property, Plants and Equipment

Our principal executive offices are located at 1620 West 8th Avenue, Suite 302, Vancouver, BC V6J 1V4 Canada and our principal offices in the United States are located at 6701 Center Drive West, Suite 480, Los Angeles, CA 90045. All of the facilities are leased. We believe our facilities are adequate for our current needs and we do not believe we will encounter any difficulty in extending the terms of the leases by which we occupy our respective premises. A summary description of our material, tangible fixed assets, including facilities leases follows:

Office	Address	Rental Term	Space
U.S. Corporate Office	6701 Center Drive West, Suite 480, Los Angeles, CA 90045	5 year lease, ending in 2023	5,029 sq. ft.
Canadian Corporate Office	1558 West Hastings Street, Vancouver, BC V6G 3J4	6 year agreement, ending in 2021	300 sq. ft.

Legal Proceedings

As of the date hereof, we are not a party to any material legal or administrative proceedings. There are no proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

MANAGEMENT

Management and Board of Directors

The following table sets forth the names and ages of the members of our board of directors and our executive officers and the positions held by each. Our board of directors elects our executive officers annually by majority vote. Each director's term continues until his or her successor is elected or qualified at the next annual meeting, unless such director earlier resigns or is removed.

Name	Age	Positions and Offices
Matthew Pierce	43	Director and Chief Executive Officer
Craig Finster	44	President and Chief Financial Officer
Alex Peachey	46	Chief Technology Officer
Amanda Armour	40	Chief People Officer
Keyvan Peymani	44	Chairman of the Board of Directors
Brian Tingle	48	Independent Director
Michelle Gahagan	62	Independent Director
Paul Vlasic	50	Independent Director
Jennifer Prince	48	Independent Director

The following is information about the experience and attributes of the members of our board of directors and senior executive officers as of the date of this prospectus. The experience and attributes of our directors discussed below provide the reasons that these individuals were selected for board membership, as well as why they continue to serve in such positions.

Matthew Pierce, 43, was the Founder of Versus LLC and joined our company as Chief Executive Officer and a director in 2016. Mr. Pierce has over 20 years of experience working in entertainment and technology. Prior to founding Versus Systems, Mr. Pierce founded in June 2014 and was until June 2016 the chief executive officer of OLabs, LLC, a technology incubator that founded Versus. From April 2011 to June 2014, Mr. Pierce was Vice President of Strategy at Originate Inc., a business incubator where he worked with early-stage technology companies. Since 2014, Mr. Pierce has been a Lecturer at the University of California, Los Angeles, or UCLA, Anderson School of Management and in the Economics department at UCLA, where he teaches entrepreneurship. Mr. Pierce is a graduate of Stanford University and earned his MBA from the UCLA Anderson School of Management.

Craig Finster, 44, joined our company as Chief Financial Officer in 2016 and additionally as President in 2019. Mr. Finster has over 20 years of experience in finance, accounting, and corporate development for technology companies. Between April 2010 and March 2019, Mr. Finster worked at Originate, Inc. in a variety of roles, including Sr. Vice President of Corporate Partnerships and Managing Director of Originate's Strategic Advisory Group, which focused on capital advisory for early and growth stage companies. He received his bachelor's degrees in economics and finance from the University of Arizona and his MBA from the UCLA Anderson School of Management.

Alex Peachey, 46, joined our company as Chief Technology Officer in May 2016. Mr. Peachey leads the architecture efforts for our Elixir-based Winfinite challenge platform. Prior to joining us, Mr. Peachey founded Threadbias LLC in January 2011, an online community for people who love to sew and wish to exchange ideas, share projects and join or create groups. He continues to serve as their CEO. From February 2012 to May 2016, Mr. Peachey served the Director of Engineering at Originate, Inc., where he managed a team of software engineers. He holds a BS in Computer Science from Western Washington University and an MBA from the University of Washington.

Amanda Armour, 40, joined our company in November 2016 and as Chief People Officer in 2021. Her work includes creating and implementing operations, hiring, and organization efforts for the inaugural 2016 Cedar Sinai-Techstars partnership and resulting technology companies, joining the Board of the Digital Diversity Network in 2019, and sitting on the Advisory Board of Aeras Fog, a drone technology company that began operations in 2020. From 2012 through 2016, Ms. Armour led several NIH and Robert Wood Johnson-sponsored national research teams focused on initiatives concerning organizational behavior, ingroup establishment, and motivation of group buy-in as they relate to public health measures and medical access equity. Ms. Armour has a BS in Psychology and a BS in Biology with concentrations in Neuroscience from Northwestern University, which includes a Fellowship in Public Health at the Pontificia Universidad Católica de Chile in Santiago, Chile. She holds an MS in Social Psychology from Yale University, and served as a Distinguished Fellow in Political Psychology at Stanford University.

Keyvan Peymani, 44, joined our company as a director in 2016. Mr. Peymani is a veteran senior executive and leader working at the intersection of technology, media, and venture capital. From March 2017 to January 2019, Mr. Peymani served as the Head of Startup Marketing for Amazon Web Services where he was responsible for the global marketing strategy. Since January 2016, he has been serving as a Venture Partner and Senior Advisor to Touchdown Ventures, a venture capital firm pairing with several leading corporations to establish and manage their platforms. From June 2012 to February 2016, Mr. Peymani served as the Managing Director, Digital Strategy Division at ICM Partners, one of the world's largest talent and literary agencies, and was the firm's chief digital executive, reporting to the Executive Board. Mr. Peymani has a BA in Religious Studies and a BA in Neurobiology with concentrations in Neuroscience from Northwestern University. He holds an MBA from the UCLA Anderson School of Management.

Brian Tingle, 48, joined our company as a director in 2016. Mr. Tingle began his career in the Canadian banking sector, and has been involved in the capital markets for the past 20 years as an advisor. In April 1996, Mr. Tingle founded and has since been serving as the President of Tingle Resource Management, a consulting firm which specializes in advising board members in capital markets and finance. Since January 2017, Mr. Tingle has been serving as a director at Cellstop Systems, a Canadian cell company involved in mining. From 2011 to December 2018, he also served as a director at Torch River Farms, a private company that owned and operated farmland in Canada. Mr. Tingle graduated from University of British Columbia with a Bachelor of Commerce with a major in Finance and a minor in Accounting.

Michelle Gahagan, 62, joined our company as a director in 2016. Since May 2006, Ms. Gahagan has been serving as the Managing Director of Intrepid Financial, a privately-held merchant bank based in Vancouver, British Columbia and London, England. In August 2014, Ms. Gahagan founded and has since been serving as a director of France Bike Rentals, a large bike rental business with over 500 rental bikes and over 2,500 annual reservations. Since January 2018, Ms. Gahagan has been serving as the Board Chair of Canadian Palladium Resources, an exploration company specializing in palladium and cobalt projects. From February 2016 to June 2018, she also served as a director at US Cobalt Inc., a Canadian-based company focused on the exploration of cobalt assets in the Idaho cobalt belt. Ms. Gahagan graduated from Queens University Law School and practiced corporate law for 20 years. Ms. Gahagan has extensive experience advising companies with respect to international tax-driven structures, mergers and acquisitions.

Paul Vlasic, 50, joined our company as a director in 2016. Mr. Vlasic currently serves as Chairman at the Vlasic Group, a family office with diversified holdings. He has been involved there since August 1986 and participates in all asset allocation, investment decisions and long-term strategic planning. He is a Founding Partner at RSVP Ventures and has been working there since March 2008. RSVP Ventures specializes in investing in early stage businesses supporting entrepreneurs and their ideas, turning them into market-leading companies. He also founded Amplifinity, LLC in February 2009 and served as the CEO and Chairman of the board of directors until its sale in August 2019. Amplifinity provided its clients a software-as-a-service solution that permitted them to efficiently launch and manage marketing campaigns to generate referrals, reviews, and testimonials at scale, capturing leads and tracking the performance of those leads within CRM platforms. Mr. Vlasic serves as Chairman of four craft spirit brands, Papa's Pilar Rum, Suerte Tequila, Treaty Oak Whiskey, and Waterloo Gin. Mr. Vlasic also serves on multiple boards within the Henry Ford Health System and is the past Chairman of the University of Michigan College of Engineering's Center for Entrepreneurship. He is a graduate of Rollins College and earned his MBA with Distinction from the University of Michigan Ross School of Business.

Jennifer Prince, 48, joined our company as a director in 2021. Ms. Prince currently serves as global VP and head of content partnerships for Twitter, and leads the social network's worldwide efforts engaging with media entities and individual creators across TV, film, music, sports, news, lifestyle and gaming. She has served in a variety of senior roles since joining Twitter in August 2013 focused on client and partner solutions. From 2011 to 2013, Prince was head of industry for film and television at Google and YouTube. From 2007 to 2011, she was SVP of advertising at Demand Media.

Board Composition and Structure; Director Independence

Our business and affairs are managed under the direction of our board of directors. Our board of directors currently consists of five members. The term of office for each director will be until his or her successor is elected at our annual meeting or his or her death, resignation or removal, whichever is earliest to occur.

While we do not have a stand-alone diversity policy, in considering whether to recommend any director nominee, including candidates recommended by shareholders, we believe that the backgrounds and qualifications of the directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow our board of directors to fulfill its responsibilities. As set forth in our corporate governance guidelines, when considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively in light of our business and structure, the board of directors focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors and director nominees will provide an appropriate mix of experience and skills relevant to the size and nature of our business.

Our board of directors expects a culture of ethical business conduct. Our board of directors encourages each member to conduct a self-review to determine if he or she is providing effective service with respect to both our company and our shareholders. Should it be determined that a member of our board of directors is unable to effectively act in the best interests of our shareholders, such member would be encouraged to resign.

Board Leadership Structure

Our articles and our corporate governance guidelines provide our board of directors with flexibility to combine or separate the positions of Chairman of the Board and Chief Executive Officer in accordance with its determination that utilizing one or the other structure is in the best interests of our company. Matthew Pierce currently serves as our Chief Executive Officer and Keyvan Peymani serves as Chairman of the Board.

As Chairman of the Board, Mr. Peymani's key responsibilities will include facilitating communication between our board of directors and management, assessing management's performance, managing board members, preparation of the agenda for each board meeting, acting as chair of board meetings and meetings of our company's shareholders and managing relations with shareholders, other stakeholders and the public.

We will take steps to ensure that adequate structures and processes are in place to permit our board of directors to function independently of management. The directors will be able to request at any time a meeting restricted to independent directors for the purposes of discussing matters independently of management and are encouraged to do so should they feel that such a meeting is required.

Foreign Private Issuer Status

Under the Nasdaq Listing Rules, as a foreign private issuer, we may elect to follow our home country practice in lieu of the corporate governance requirements of the Nasdaq Listing Rules, with the exception of those rules that are required to be followed pursuant to the provisions of the Nasdaq Listing Rules. We have elected to follow

Canadian practices in lieu of the requirements of the Nasdaq Listing Rules to the extent permitted under Nasdaq Listing Rule 5615(a)(3). We follow Canadian corporate governance practices in lieu of the corporate governance requirements of The Nasdaq Capital Market in respect of the quorum requirement for meetings of our common shareholders as described below.

Committees of our Board of Directors

The standing committees of our board of directors consist of an audit committee, a compensation committee and a nominating and corporate governance committee. Each of the committees reports to our board of directors as they deem appropriate and as our board may request. Each committee of our board of directors has a committee charter that will set out the mandate of such committee, including the responsibilities of the chair of such committee.

The composition, duties and responsibilities of these committees are set forth below.

Audit Committee

The audit committee is responsible for, among other matters:

- appointing, retaining and evaluating our independent registered public accounting firm and approving all services to be performed by them;
- overseeing our independent registered public accounting firm's qualifications, independence and performance;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC;
- reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements;
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; and
- reviewing and approving related person transactions.

Our audit committee consists of three of our directors, Brian Tingle, Paul Vlasic, and Michelle Gahagan, each of whom meets the definition of "independent director" for purposes of serving on an audit committee under Rule 10A-3 under the Exchange Act and Nasdaq listing rules. Mr. Tingle serves as chairman of our audit committee. Our board of directors has determined that Mr. Tingle qualifies as an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K under the Securities Act. The written charter for our audit committee is available on our corporate website at *www.versussystems.com*. The information on our website is not part of this prospectus.

Compensation Committee

The compensation committee is responsible for, among other matters:

- reviewing key employee compensation goals, policies, plans and programs;
- reviewing and approving the compensation of our directors, chief executive officer and other executive officers;
- producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC;
- reviewing and approving employment agreements and other similar arrangements between us and our executive officers; and
- administering our stock plans and other incentive compensation plans.

Our compensation committee consists of three of our directors, Messrs. Tingle, Vlasic and Ms. Gahagan, each of whom meets the definition of "independent director" under the Nasdaq rules and the definition of non-employee director under Rule 16b-3 promulgated under the Exchange Act. Mr. Tingle serves as chairman of our compensation committee. Our board of directors has adopted a written charter for the compensation committee, which is available on our corporate website at *www.versussystems.com*. The information on our website is not part of this prospectus.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee will be responsible for, among other matters:

- determining the qualifications, qualities, skills and other expertise required to be a director and developing and recommending to the board for its approval criteria to be considered in selecting nominees for director;
- identifying and screening individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors;
- overseeing the organization of our board of directors to discharge our board's duties and responsibilities properly and efficiently;
- reviewing the committee structure of the board of directors and the composition of such committees and recommending directors to be appointed to each committee and committee chairmen;
- identifying best practices and recommending corporate governance principles; and
- developing and recommending to our board of directors a set of corporate governance guidelines and principles applicable to us.

Our nominating and corporate governance committee consists of three of our directors, Messrs. Tingle and Vlasic and Ms. Gahagan, each of whom meets the definition of "independent director" under the Nasdaq rules. Ms. Gahagan serves as chairman of our nominating and corporate governance committee. Our board of directors has adopted a written charter for the nominating and corporate governance committee, which is available on our corporate website at *www.versussystems.com*. The information on our website is not part of this prospectus.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of another entity that had one or more of its executive officers serving as a member of our board of directors or compensation committee. None of the members of our compensation committee, when appointed, will have at any time been one of our officers or employees.

Other Committees

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Director Term Limits

Our board of directors has not adopted policies imposing an arbitrary term or retirement age limit in connection with individuals serving as directors as it does not believe that such a limit is in the best interests of our company. Our nominating and corporate governance committee will annually review the composition of our board of directors, including the age and tenure of individual directors. Our board of directors will strive to achieve a balance between the desirability of its members having a depth of relevant experience, on the one hand, and the need for renewal and new perspectives, on the other hand.

Risk Oversight

Our board of directors oversees the risk management activities designed and implemented by our management. Our board of directors executes its oversight responsibility for risk management both directly and through its committees. The full board of directors also considers specific risk topics, including risks associated with our strategic plan, business operations and capital structure. In addition, our board of directors regularly receives detailed reports from members of our senior management and other personnel that include assessments and potential mitigation of the risks and exposures involved with their respective areas of responsibility.

Our board of directors has delegated to the audit committee oversight of our risk management process. Our other board committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the full board of directors as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Code of Ethics

Our board of directors has adopted a Code of Ethics that applies to all of our employees, including our chief executive officer, chief financial officer and principal accounting officer. Our Code of Ethics will be available on our website at *www.versussystems.com* by clicking on “Investors.” If we amend or grant a waiver of one or more of the provisions of our Code of Ethics, we intend to disclose amendments to or waivers from provisions of our Code of Ethics that apply to our principal executive officer, financial and accounting officers by posting the required information on our website at the above address within four business days of such amendment or waiver. The information on our website is not part of this prospectus.

Our board of directors, management and all employees of our company are committed to implementing and adhering to the Code of Ethics. Therefore, it is up to each individual to comply with the Code of Ethics and to be in compliance of the Code of Ethics. If an individual is concerned that there has been a violation of the Code of Ethics, he or she will be able to report in good faith to his or her superior. While a record of such reports will be kept confidential by our company for the purposes of investigation, the report may be made anonymously and no individual making such a report will be subject to any form of retribution.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to the individuals who served as our principal executive officer at any time during fiscal 2020 and 2019, and our two other most highly compensated officers in fiscal 2020 and 2019. These individuals are referred to in this prospectus as the “named executive officers.” The salaries and bonuses paid or earned by our executives were denominated in U.S. dollars and converted to Canadian dollars using the exchange rate as of December 31, 2020 which was 1.28 Canadian dollars per U.S. dollar.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Matthew Pierce	2020	$ 204,800	$ 51,200	$ -	$ 40,786	$ -	$ 296,786
Chief Executive Officer	2019	$ 204,800	$ 51,200	-	$ 227,100	-	$ 483,100
Craig Finster	2020	$ 204,800	$ 51,200	-	$ 73,586	-	$ 329,586
President and Chief Financial Officer[(1)]	2019	$ 145,066	$ 51,200	-	$ 246,000	-	$ 442,266
Alex Peachey	2020	$ 256,000	$ 38,400	-	$ 63,888	-	$ 358,288
Chief Technology Officer	2019	$ 217,600	$ 30,720	-	$ 227,100	-	$ 475,420

(1) Mr. Finster commenced employment with our company on May 1, 2019.

Employment Contracts and Potential Payments Upon Termination or Change in Control

On June 30, 2016, we entered into employment agreement with Matthew Pierce, our Chief Executive Officer, on May 1, 2019, we entered into an employment agreement with Craig Finster, our President and Chief Financial Officer, and on April 20, 2020, we entered into an employment agreement with Keyvan Peymani, our Executive Chairman of the Board. The original terms of the employment agreements are two years, which shall be automatically renewed for one year upon expiration of the prior term unless either party provides at least six-month notice to the other party that it does not wish to renew the agreement.

The following is a summary of the compensation arrangements set forth in each employment agreement described above:

Executive	Title	Annual Base Salary	Annual Cash Bonus	Equity Compensation in Warrants (In Shares) (2)	Equity Compensation in Options (In Shares) (3)
Matthew Pierce	Chief Executive Officer	US$ 160,000	(1)	441,190	176,500
Craig Finster	Chief Financial Officer	US$ 160,000	(1)	-	6,250
Keyvan Peymani	Executive Chairman of the Board	US$ 160,000	(1)	-	6,250

(1) Each of the executive officers receives an annual cash bonus of twenty-five percent (25%) of his base salary, and an annual performance cash bonus in accordance with EBITDA achievement in the relevant fiscal year. In particular, each executive officer receives a bonus equal to 50%, 100% or 200% of his base salary if we generate EBITDA of at least $1 million, $2 million or $4 million, respectively, within the then current fiscal year. Each executive officer is also eligible for a discretionary cash bonus determined by our board of directors.

(2) Representing warrants to purchase our common shares at $4.00 per share, which shall vest in accordance with the achievements of certain performance milestones or service date.
(3) The options vest in three installments with one-third vesting immediately and one-third vesting on each of the first and second anniversaries of the date of the employment agreement and have an exercise price of $3.36 per share.

If the employment agreement is terminated for "good reason" as defined therein and we receive proper notice or if the employment agreement is involuntarily terminated other than for "just cause" as defined therein, then we shall pay the executive officer (i) any accrued benefits and (ii) a severance amount equal to the sum of (w) 12 months of his then-current base salary; (x) his maximum discretionary bonus for the then-current fiscal year; (y) his annual bonus for the prior fiscal year; and (z) his maximum performance cash bonus provided in the employment agreement for the then-current fiscal year. In addition, in this circumstance, the executive's equity compensation shall be fully and immediately vested and exercisable, as applicable. If the employment agreement is terminated without good cause, then the executive officer shall receive his accrued benefits, the prorate bonus and the performance cash bonus, if any, as of the termination date. Upon termination of this agreement, we will pay the executive officer any lump sum payment due to him under his agreement within ten business days of the date of termination.

Equity Incentive Plans

On May 17, 2017, our board of directors adopted our 2017 Stock Option Plan, or the 2017 Plan, to provide an additional means to attract, motivate, retain and reward selected employees and other eligible persons. Our stockholders approved the 2017 Plan on or about June 29, 2017. Employees, officers, directors, advisors and consultants that provided services to us or one of our subsidiaries are eligible to receive awards under the 2017 Plan. The total number of common shares that are at any time reserved for issuance under the 2017 Plan and under all other management option plans and employee stock purchase plans, if any, cannot exceed in the aggregate a number of common shares equal to 15% of the number of common shares issued and outstanding at that time. Options have a maximum term of ten years and vesting is determined by our board of directors.

As of March 31, 2021, stock option grants for the purchase of an aggregate of 1,578,152 common shares had been made under the 2017 Plan, and 284,321 of those stock options had been cancelled or exercised. As of that date, there remained 669,603 common shares authorized under the 2017 Plan remained available for award purposes.

Our board of directors may amend or terminate the 2017 Plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant.

The following information is a brief description of the 2017 Plan, which is filed as an exhibit to this prospectus:

a) *Number of Shares*: At no time shall the number of common shares reserved for issuance to any one person pursuant to stock options granted under the 2017 Plan or otherwise, unless permitted by regulatory authorities and by a vote of shareholders, exceed five (5%) percent of the outstanding common shares in any 12-month period.

b) *Option Price*: The option price of a stock option granted under the 2017 Plan shall be fixed by our board of directors but shall be not less than the Market Price of our common shares at the time the stock option is granted, or such lesser price as may be permitted pursuant to the rules of any regulatory authority having jurisdiction over our common shares issued, which rules may include provisions for certain discounts in respect to the option price. For the purpose of the 2017 Plan, the "Market Price" at any date in respect of our common shares shall mean, subject to a minimum exercise price of $1.60 per option, the greater of:

   a. the closing price of our common shares on a stock exchange on which our common shares are listed and posted for trading or a quotation system for a published market upon which the price of our common shares is quoted, as may be selected for such purpose by our board of directors (the "Market"), on the last trading day prior to the date the stock option is granted; and

   b. the closing price of our common shares on the Market on the date on which the stock option is granted. In the event that such shares did not trade on such trading day, the Market Price shall be the average of the bid and ask prices in respect of such shares at the close of trading on such trading day as reported thereof. In the event that our common shares are not listed and posted for trading or quoted on any Market, the Market Price shall be the fair market value of such shares as determined by our board of directors in its sole discretion.

c) *Reduction in Option Price*: The option price of a stock option granted under the 2017 Plan to an insider of our company (as that term is defined in the Securities Act (British Columbia)) shall not be reduced without prior approval from the disinterested shareholders of our company.

d) *Payment*: The full purchase price payable for shares under a stock option shall be paid in cash or certified funds upon the exercise thereof. A holder of a stock option shall have none of the rights of a shareholder until the shares are paid for and issued.

e) *Term of Option*: Stock options may be granted under the 2017 Plan for a period not exceeding ten years.

f) *Vesting*: Unless our board of directors determines otherwise at its discretion, a stock option shall vest immediately upon being granted.

g) *Exercise of Option*: Except as specifically provided for in the 2017 Plan, no stock option may be exercised unless the optionee is at the time of exercise an Eligible Person (as defined by the 2017 Plan). If the optionee is an employee or consultant, the optionee shall represent to us that he or she is a bona fide employee or consultant of our company. The 2017 Plan shall not confer upon the optionee any right with respect to continuation of employment by our company. Leave of absence approved by an officer of our company authorized to give such approval shall not be considered an interruption of employment for any purpose of the 2017 Plan. Subject to the provisions of the 2017 Plan, a stock option may be exercised from time to time by delivery to us of written notice of exercise specifying the number of shares with respect to which the stock option is being exercised and accompanied by payment in full, by cash or certified check, of the purchase price of the shares then being purchased.

h) *Non-transferability of Stock Option*: No stock option shall be assignable or transferable by the optionee, except to a personal holding corporation of the optionee, other than by will or the laws of descent and distribution.

i) *Applicable Laws or Regulations*: Our obligation to sell and deliver shares under each stock option is subject to our compliance with any laws, rules and regulations of Canada and any provinces and/or territories thereof applying to the authorization, issuance, listing or sale of securities and is also subject to the acceptance for listing of the shares which may be issued upon the exercise thereof by each stock exchange upon which our common shares are then listed for trading.

j) *Termination of Options*. Unless the option agreement provides otherwise, all stock options will terminate:

   a. in the case of stock options granted to an employee or consultant employed or retained to provide investment relations services, 30 days after the optionee ceases to be employed or retained to provide investment relations services;

   b. in the case of stock options granted to other employees, consultants, directors, officers or advisors, 90 days following

      i. our termination, with or without cause, of the optionee's employment or other relationship with our company or an affiliate of our company, or

      ii. the termination by the optionee of any such relationship with our company or an affiliate of our company;

      iii. or in the case of death or permanent and total disability of the optionee, all stock options will terminate 12 months following the death or permanent and total disability of the optionee, and the deceased optionee's heirs or administrators may exercise all or a portion of the stock option during that period.

   Any stock options granted under the 2017 Plan that are cancelled, terminated or expire will remain available for granting under the 2017 Plan at the current Market Price

k) *Amendments*. Subject to the approval of regulatory authorities having jurisdiction, our board of directors may from time to time amend or revise the terms of the 2017 Plan, or may terminate the 2017 Plan at any time; provided, however, that no such action shall adversely affect the rights of any optionee under any outstanding stock option without such optionee's prior consent. Upon the mutual consent of the optionee and our board of directors, the terms of an option agreement may be amended, subject to regulatory approval and shareholder approval as may be required from time to time.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth outstanding equity awards to our named executive officers as of December 31, 2020:

	Option Awards			Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock that have not Vested**	**Market Value of Shares of Units of Stock that have not Vested**
Matthew Pierce	625	$ 3.36	April 2, 2024	-	-
Matthew Pierce	37,500	$ 6.00	Sept 27, 2024	-	-
Matthew Pierce	176,500	$ 4.32	July 13, 2021	-	-
Matthew Pierce	15,625	$ 5.52	Sept 14, 2022	-	-
Matthew Pierce	1,875	$ 4.00	July 24, 2025	-	-
Matthew Pierce	20,469	$ 4.00	July 31, 2025	-	-
Craig Finster	26,563	$ 4.32	July 13, 2021	-	-
Craig Finster	6,250	$ 3.36	April 2, 2024	-	-
Craig Finster	37,500	$ 6.00	Sept 27, 2024	-	-
Craig Finster	1,875	$ 4.00	July 24, 2025	-	-
Craig Finster	23,438	$ 4.00	July 24, 2025	-	-
Craig Finster	15,000	$ 4.00	July 31, 2025	-	-
Alex Peachey	37,500	$ 6.00	Sept 27, 2024	-	-
Alex Peachey	37,500	$ 4.32	July 13, 2021	-	-
Alex Peachey	1,875	$ 4.00	July 24, 2025	-	-
Alex Peachey	18,125	$ 4.00	July 24, 2025	-	-
Alex Peachey	625	$ 3.36	April 2, 2024	-	-
Alex Peachey	15,000	$ 4.00	July 31, 2025	-	-

Equity Compensation Plan Information

The following table provides information as of December 31, 2020, regarding our compensation plans under which equity securities are authorized for issuance:

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,293,831	$ 4.71	669,603
Equity compensation plans not approved by security holders	-	-	-
Total	1,293,831	$ 4.71	669,603

DIRECTOR COMPENSATION

All directors hold office until the next annual meeting of shareholders at which their respective class of directors is re-elected and until their successors have been duly elected and qualified. There are no family relationships among our directors or executive officers. Officers are elected by and serve at the discretion of the Board of Directors. Directors do not receive any compensation for their services other than the grant of stock options to purchase common shares.

The following table shows option grants to our Directors as of March 31, 2021:

Name of Optionee	Position	Number of Securities Underlying Options	Option Exercise Price	Option Expiry Date
Brian Tingle	Director	15,625	$ 5.44	September 14, 2022
Brian Tingle	Director	12,500	$ 6.00	September 27, 2024
Brian Tingle	Director	1,250	$ 4.00	July 24, 2025
Brian Tingle	Director	10,469	$ 4.00	July 31, 2025
Michelle Gahagan	Director	15,625	$ 5.44	September 14, 2022
Michelle Gahagan	Director	12,500	$ 6.00	September 27, 2024
Michelle Gahagan	Director	1,250	$ 4.00	July 24, 2025
Michelle Gahagan	Director	10,469	$ 4.00	July 31, 2025
Paul Vlasic	Director	15,625	$ 5.44	September 14, 2022
Paul Vlasic	Director	12,500	$ 6.00	September 27, 2024
Paul Vlasic	Director	1,250	$ 4.00	July 24, 2025
Paul Vlasic	Director	10,469	$ 4.00	July 31, 2025

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information relating to the beneficial ownership of our common shares as of March 31, 2021 by:

- each person, or group of affiliated persons, known by us to beneficially own 5% or more of our outstanding common shares;
- each of our named executive officers and members of our board of directors; and
- all executive officers and members of our board of directors as a group.

The amounts and percentages of common shares beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days after March 31, 2021. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Except as indicated by footnote, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all common shares shown as beneficially owned by them. None of our major shareholders have different voting rights than our common shareholders.

In the table below, the percentage of beneficial ownership of our common shares is based on 13,089,562 shares of our common shares outstanding as of March 31, 2021. Unless otherwise noted below, the address of the persons listed on the table is c/o Versus Systems Inc., 1558 West Hastings Street, Vancouver BC V6G 3J4 Canada.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Shares Beneficially Owned[1]
Named Executive Officers and Directors		
Matthew Pierce[2]	703,778	5.2
Craig Finster[3]	67,012	*

Alex Peachey[4]	73,685	*
Keyvan Peymani[5]	231,981	1.8
Brian Tingle[6]	1,309,834	9.7
Michelle Gahagan[7]	44,342	*
Paul Vlasic[8]	524,373	4.0
Kelsey Chin[9]	154,665	1.2
Executive Officers and Directors as a Group (eight persons)	3,109,670	21.5

* Indicates beneficial ownership of less than 1% of the total outstanding common shares.

(1) The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all common shares outstanding on March 31, 2021. On March 31, 2021, there were 13,089,562 common shares outstanding. To calculate a shareholder's percentage of beneficial ownership, we include in the numerator and denominator the common shares outstanding and all common shares issuable to that person in the event of the exercise of outstanding options and other derivative securities owned by that person that are exercisable within 60 days of March 31, 2021. Common share options and derivative securities held by other shareholders are disregarded in this calculation. Therefore, the denominator used in calculating beneficial ownership among our shareholders may differ. Unless we have indicated otherwise, each person named in the table has sole voting power and sole investment power for the shares listed opposite such person's name.
(2) Represents (i) 169,439 common shares issuable upon the exercise of outstanding share purchase options, (ii) 171,608 shares as converted from Versus Systems (Holdco), and (iii) 191,188 common shares issuable upon the exercise of outstanding warrants.
(3) Includes 66,700 common shares issuable upon the exercise of outstanding share purchase options.
(4) Represents 73,685 common shares issuable upon the exercise of outstanding share purchase options.
(5) Includes 75,731 common shares issuable upon the exercise of outstanding share purchase options and 78,125 common shares issuable upon the exercise of outstanding warrants.
(6) Includes 847,310 common shares, (ii) 31,842 common shares issuable upon the exercise of outstanding share purchase options, and (iii) 430,682 common shares issuable upon the exercise of outstanding warrants.
(7) Includes 31,842 common shares issuable upon the exercise of outstanding share purchase options.
(8) Includes 31,842 common shares issuable upon the exercise of outstanding share purchase options.
(9) Includes (i) 125,000 common shares, (ii) 22,790 common shares issuable upon the exercise of outstanding share purchase options and (iii) 6,875 common shares issuable upon the exercise of outstanding warrants.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

A "related party transaction" is any actual or proposed transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, including those involving indebtedness not in the ordinary course of business, to which we or our subsidiaries were or are a party, or in which we or our subsidiaries were or are a participant, in which the amount involved exceeded or exceeds the lesser of (i) US$120,000 or (ii) one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any related party had or will have a direct or indirect material interest. A "related party" includes:

- any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors;
- any person who beneficially owns more than 5% of our common share;
- any immediate family member of any of the foregoing; or
- any entity in which any of the foregoing is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Other than the transactions described below and the compensation arrangements for our named executive officers, which we describe above, there were no related party transactions to which we were a party since the beginning of the Company's last fiscal year, or any currently proposed related party transaction.

At March 31, 2021, a total of $205,154 was included in accounts payable and accrued liabilities owing to our officers, directors, or companies controlled by them in respect of accrued bonuses, expenses payable and other reimbursable expenses. These amounts are unsecured and non-interest bearing.

At December 31, 2020, a total of $757,265 was included in accounts payable and accrued liabilities owing to our officers, directors, or companies controlled by them in respect of accrued bonuses, expenses payable and other reimbursable expenses. These amounts are unsecured and non-interest bearing.

Between November 7, 2017 and December 31, 2020, we borrowed an aggregate of $6,551,007 in 29 separate loan transactions from Brian Tingle, a director of our company. Each loan bears interest at the prime rate of the Bank of Canada, which was 2.45% per annum and 3.95% per annum at December 31, 2020 and December 31, 2019, respectively, compounded annually and payable quarterly, and had a maturity date of three years from the date of the respective loan. At December 31, 2020 and December 31, 2019, the aggregate outstanding principal amounts of such loans was $5,735,820 and $5,470,000, respectively. We made $336,000 in payments of principal or interest on such loans during year ended December 31, 2020 and none for the year ended December 31, 2019. During the three month period ended March 31, 2021, the Company exchanged 215,341 shares of common stock in exchange for a principal reduction of debt in the amount of $1,879,577 and $164,801 of accrued interest, and repaid $200,000 in principal.

Between October 18, 2018 and December 31, 2020, we borrowed an aggregate of $780,000 in four separate loan transactions from Matthew Pierce, our Chief Executive Officer and a director of our company. Each loan bears interest at the prime rate of the Bank of Canada, which was 2.45% per annum and 3.95% per annum at December 30, 2020 and December 31, 2019, respectively, compounded annually and payable quarterly, and had a maturity date of three years from the date of the respective loan. At December 31, 2020 and December 31, 2019, the aggregate outstanding principal amounts of such loans was $333,717 and $0, respectively. During the year ended December 31, 2020 and the year ended December 31, 2019, we paid principal and interest in respect of such loans in the aggregate amounts of $0 and $230,000, respectively. During the three month period ended March 31, 2021 we repaid $329,300 in principal. At March 31, 2021, the aggregate outstanding principal balance was $22,805.

DESCRIPTION OF SHARE CAPITAL

General

Upon the closing of this offering, our authorized share capital will consist of an unlimited number of common shares and an unlimited number of Class A Shares, each without par value. At March 31, 2021, we had 13,089,562 issued and outstanding common shares and 5,057 Class A Shares.

The following description of our share capital and provisions of our articles and Notice of Articles are summaries of material terms and provisions and are qualified by reference to our articles and Notice of Articles, copies of which have been filed with the SEC as exhibits to the registration statement of which this prospectus is a part.

Common Shares

The holders of our common shares are entitled to one vote for each share held at any meeting of shareholders. The holders of our common shares are entitled to receive dividends as and when declared by our board of directors. In the event of our liquidation, dissolution or winding-up or other distribution of our assets among our shareholders, the holders of our common shares are entitled to share pro rata in the distribution of the balance of our assets. There are no preemptive, redemption, purchase or conversion rights attaching to our common shares. There are no sinking fund provisions applicable to our common shares. The common shares offered in this offering, upon payment and delivery in accordance with the underwriting agreement, will be fully paid and non-assessable.

Class A Shares

We are authorized to issue an unlimited number of Class A Shares. The Class A Shares do not have any special rights or restrictions attached. As of March 31, 2021, there were 5,057 Class A Shares issued and outstanding.

Warrants to be issued in this Offering

The following summary of certain terms and provisions of the warrants offered hereby is not complete and is subject to, and qualified in its entirety by, the provisions of the form of the warrant, which is filed as an exhibit to the registration statement of which this prospectus is a part of. Prospective investors should carefully review the terms and provisions set forth in the form of warrant.

Unit A Warrants

Exercisability. The Unit A Warrants are exercisable immediately upon issuance and at any time up to the date that is five years from the date of issuance. The Unit A Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of our common shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). Unless otherwise specified in the warrant, the holder will not have the right to exercise any portion of the warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of our common shares outstanding immediately after giving effect to the exercise (or, upon election by a holder prior to the issuance of any Unit A Warrants, 9.99%), as such percentage ownership is determined in accordance with the terms of the Unit A Warrants.

Cashless Exercise. In the event that a registration statement covering common shares underlying the Unit A Warrants, is not available for the issuance of such common shares underlying the Unit A Warrants, the holder may, in its sole discretion, exercise the warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, elect instead to receive upon such exercise the net number of common shares determined according to the formula set forth in the warrant. In no event shall we be required to make any cash payments or net cash settlement to the registered holder in lieu of issuance of common shares underlying the Unit A Warrants.

Certain Adjustments. The exercise price and the number of common shares purchasable upon the exercise of the Unit A Warrants are subject to adjustment upon the occurrence of specific events, including stock dividends, stock splits, combinations and reclassifications of our common shares.

Transferability. Subject to applicable laws, the Unit A Warrants may be transferred at the option of the holders upon surrender of the Unit A Warrants to our warrant agent together with the appropriate instruments of transfer.

Exchange Listing. The Unit A Warrants are listed on The Nasdaq Capital Market under the symbol "VSSYW."

Warrant Agent. The Unit A Warrants are issued in registered form under a warrant agent agreement between Computershare, as warrant agent, and us.

Fundamental Transactions. If, at any time while the Unit A Warrants are outstanding, (1) we consolidate or merge with or into another corporation and we are not the surviving corporation, (2) we sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of our assets, (3) any purchase offer, tender offer or exchange offer (whether by us or another individual or entity) is completed pursuant to which holders of our common shares are permitted to sell, tender or exchange their common shares for other securities, cash or property and has been accepted by the holders of 50% or more of our outstanding common shares, (4) we effect any reclassification or recapitalization of our common shares or any compulsory share exchange pursuant to which our common shares are converted into or exchanged for other securities, cash or property, or (5) we consummate a stock or share purchase agreement or other business combination with another person or entity whereby such other person or entity acquires more than 50% of our outstanding common shares, each a "Fundamental Transaction," then upon any subsequent exercise of the Unit A Warrants, the holder thereof will have the right to receive the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of warrant shares then issuable upon exercise of the warrant, and any additional consideration payable as part of the Fundamental Transaction.

Rights as a Stockholder. Except as otherwise provided in the Unit A Warrants or by virtue of such holder's ownership of our common shares, the holder of a warrant does not have the rights or privileges of a holder of our common shares, including any voting rights, until the holder exercises the warrant.

Beneficial Ownership Limitation. A holder's exercise shall be limited to 4.99% of our outstanding common shares (or, upon election by a holder prior to the issuance of any Unit A Warrants, 9.99%) of the number of the common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise. The holder, upon notice to us, may increase or decrease the beneficial ownership limitation provided that the beneficial ownership limitation in no event exceeds 9.99% of the number of the common shares outstanding immediately after giving effect to the issuance of common shares upon exercise of the warrant held by the holder. Any increase in the beneficial ownership limitation will not be effective until the 61st day after such notice is delivered to the Company.

Governing Law. The Unit A Warrants and the warrant agency agreement are governed by New York law.

Unit B Warrants

Exercisability. The Unit B Warrants are exercisable immediately upon issuance and at any time up to the date that is one year from the date of issuance. The Unit B Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of our common shares purchased upon such exercise. Unless otherwise specified in the Unit B Warrant, the holder will not have the right to exercise any portion of the Unit B Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of our common shares outstanding immediately after

giving effect to the exercise (or, upon election by a holder prior to the issuance of any Unit B Warrants, 9.99%), as such percentage ownership is determined in accordance with the terms of the Unit B Warrants.

Certain Adjustments. The exercise price and the number of common shares purchasable upon the exercise of the Unit B Warrants are subject to adjustment upon the occurrence of specific events, including stock dividends, stock splits, combinations and reclassifications of our common shares.

Transferability. Subject to applicable laws, the Unit B Warrants may be transferred at the option of the holders upon surrender of the Unit B Warrants to our warrant agent together with the appropriate instruments of transfer.

Warrant Agent. The Unit B Warrants have been issued in registered form under a warrant agent agreement between Computershare, as warrant agent, and us.

Fundamental Transactions. If, at any time while the Unit B Warrants are outstanding, (1) we consolidate or merge with or into another corporation and we are not the surviving corporation, (2) we sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of our assets, (3) any purchase offer, tender offer or exchange offer (whether by us or another individual or entity) is completed pursuant to which holders of our common shares are permitted to sell, tender or exchange their common shares for other securities, cash or property and has been accepted by the holders of 50% or more of our outstanding common shares, (4) we effect any reclassification or recapitalization of our common shares or any compulsory share exchange pursuant to which our common shares are converted into or exchanged for other securities, cash or property, or (5) we consummate a stock or share purchase agreement or other business combination with another person or entity whereby such other person or entity acquires more than 50% of our outstanding common shares, each a "Fundamental Transaction," then upon any subsequent exercise of the Unit B Warrants, the holder thereof will have the right to receive the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of the number of warrant shares then issuable upon exercise of the Unit B Warrant, and any additional consideration payable as part of the Fundamental Transaction.

Rights as a Stockholder. Except as otherwise provided in the Unit B Warrants or by virtue of such holder's ownership of our common shares, the holder of a Unit B Warrant does not have the rights or privileges of a holder of our common shares, including any voting rights, until the holder exercises the Unit B Warrant.

Beneficial Ownership Limitation. A holder's exercise shall be limited 4.99% of our outstanding common shares (or, upon election by a holder prior to the issuance of any Unit B Warrants, 9.99%) of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise. The holder, upon notice to us, may increase or decrease the beneficial ownership limitation provided that the beneficial ownership limitation in no event exceeds 9.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares upon exercise of the Unit B Warrant held by the holder. Any increase in the beneficial ownership limitation will not be effective until the 61st day after such notice is delivered to us.

Governing Law. The Unit B Warrants and the warrant agency agreement are governed by New York law.

Other Outstanding Warrants

At March 31, 2021, we had outstanding warrants to purchase an aggregate of 2,568,568 common shares with an exercise price range from $4.00 per share to $6.40 per share. These warrants have an expiration date range from June 30, 2021 to November 17, 2022. Pursuant to the terms of such warrants, the exercise price of such warrants is subject to adjustment in the event of stock splits, combinations or the like of our common shares.

Stock Options

Pursuant to the policies of the Canadian Securities Exchange, or the CSE, we may grant incentive stock options to our officers, directors, employees and consultants. Our 2017 Plan is a rolling stock option plan whereby we can issue a number of options to purchase up to 15% of our issued and outstanding common shares. Options have a maximum term of ten years and vesting is determined by our board of directors.

During the three months ended March 31, 2021, no stock options were granted. During the three months March 31, 2021, we recorded share-based compensation of $254,292 relating to options vested during the year.

During the year ended December 31, 2020, we granted stock options to purchase a total of 470,083 common shares with a fair value of $1,216,228 (or $2.69 per option). During the year ended December 31, 2020, we recorded share-based compensation of $1,407,414 relating to options vested during the year.

During the year ended December 31, 2019, we granted stock options to purchase a total of 482,500 common shares with a fair value of $1,724,580 (or $3.52 per option). During the year ended December 31, 2019, we recorded share-based compensation of $826,360 relating to options vested during the year.

During the year ended December 31, 2018, we granted stock options to purchase a total of 72,284 common shares with a fair value of $343,711 (or $5.92 per option). During the year ended December 31, 2018, we recorded share-based compensation of $651,316 relating to options vested during the year.

As of March 31, 2021, we had outstanding incentive stock options to purchase an aggregate of 1,293,831 common shares.

Certain Important Provisions of our Articles and the Business Corporations Act (British Columbia)

The following is a summary of certain important provisions of our articles and certain related sections of the Business Corporations Act (British Columbia), or the BCBCA. Please note that this is only a summary and is not intended to be exhaustive. This summary is subject to, and is qualified in its entirety by reference to, the provisions of our articles and the BCBCA.

Stated Objects or Purposes

Our articles do not contain stated objects or purposes and do not place any limitations on the business that we may carry on.

Directors

Power to vote on matters in which a director is materially interested. Under the BCBCA a director who has a material interest in a contract or transaction, whether made or proposed, that is material to us, must disclose such interest to us, subject to certain exceptions such as if the contract or transaction: (i) is an arrangement by way of

security granted by us for money loaned to, or obligations undertaken by, the director for our benefit or for one of our affiliates' benefit; (ii) relates to an indemnity or insurance permitted under the BCBCA; (iii) relates to the remuneration of the director in his or her capacity as director, officer, employee or agent of our company or of one of our affiliates; (iv) relates to a loan to our company while the director is the guarantor of some or all of the loan; or (v) is with a corporation that is affiliated to us while the director is also a director or senior officer of that corporation or an affiliate of that corporation.

A director who holds such disclosable interest in respect of any material contract or transaction into which we have entered or propose to enter may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors are also required to comply with certain other relevant provisions of the BCBCA regarding conflicts of interest.

Directors' power to determine the remuneration of directors. The remuneration of our directors is determined by our directors subject to our articles. The remuneration may be in addition to any salary or other remuneration paid to any of our employees (including executive officers) who are also directors.

Number of shares required to be owned by a director. Neither our articles nor the BCBCA provide that a director is required to hold any of our shares as a qualification for holding his or her office. Our board of directors has discretion to prescribe minimum share ownership requirements for directors.

Shareholder Meetings

Subject to applicable stock exchange requirements, we must hold a general meeting of our shareholders at least once every year at a time and place determined by our board of directors, provided that the meeting must not be held later than 15 months after the preceding annual general meeting. A meeting of our shareholders may be held anywhere in or outside British Columbia.

A notice to convene a meeting, specifying the date, time and location of the meeting, and, where a meeting is to consider special business, the general nature of the special business must be sent to each shareholder entitled to attend the meeting and to each director not less than 21 days prior to the meeting for so long as we are a public company. The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any person entitled to notice does not invalidate any proceedings at that meeting.

Subject to the special rights and restrictions attached to the shares or any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two shareholders, or one or more proxyholder(s) representing two shareholders, or one member and a proxyholder representing another shareholder. If there is only one shareholder, the quorum is one person present and being, or representing by proxy, such shareholder. If a quorum is not present within one-half hour of the time set for the holding of a meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place, unless the meeting is a general meeting that was requisitioned by shareholders, in which case the meeting is dissolved.

Shareholder Proposals and Advance Notice Procedures

Under the BCBCA, qualified shareholders holding at least one percent (1%) of our issued voting shares or whose shares have a fair market value in excess of CAD$2,000 may make proposals for matters to be considered at the annual general meeting of shareholders. Such proposals must be sent to us in advance of any proposed meeting by delivering a timely written notice in proper form to our registered office in accordance with the requirements of the BCBCA. The notice must include information on the business the shareholder intends to bring before the meeting in the prescribed form. To be a qualified shareholder, a shareholder must currently be and have been a registered or beneficial owner of at least one share of the company for at least two years before the date of signing the proposal.

We have included certain advance notice provisions with respect to the election of our directors in our articles. The advance notice provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of board nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated in accordance with the advance notice provisions will be eligible for election as directors at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the advance notice provisions, a shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date of the annual meeting of shareholders, or the Notice Date, is less than 40 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date.

These provisions could have the effect of delaying until the next shareholder meeting the nomination of certain persons for director that are favored by the holders of a majority of our outstanding voting securities.

Limitation of Liability and Indemnification

Under the BCBCA, a company may indemnify: (i) a current or former director or officer of that company; (ii) a current or former director or officer of another corporation if, at the time such individual held such office, the corporation was an affiliate of the company, or if such individual held such office at the company's request; or (iii) an individual who, at the request of the company, held, or holds, an equivalent position in another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment actually and reasonably incurred by him or her in respect of any legal proceeding or investigative action (whether current, threatened, pending or completed) in which he or she is involved because of that person's position as an indemnifiable person, unless: (i) the individual did not act honestly and in good faith with a view to the best interests of such company or the other entity, as the case may be; or (ii) in the case of a proceeding other than a civil proceeding, the individual did not have reasonable grounds for believing that the individual's conduct was lawful. A company cannot indemnify an indemnifiable person if it is prohibited from doing so under its articles or by applicable law. A company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an indemnifiable person in respect of that proceeding only if the indemnifiable person has provided an undertaking that, if it is ultimately determined that the payment of expenses was prohibited, the indemnifiable person will repay any amounts advanced. Subject to the aforementioned prohibitions on indemnification, a company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an indemnifiable person in respect of such eligible proceeding if such indemnifiable person has not been reimbursed for such expenses, and was wholly successful, on the merits or otherwise, in the outcome of such eligible proceeding or was substantially successful on the merits in the outcome of such eligible proceeding. On application from us or from an indemnifiable person, a court may make any order the court considers appropriate in respect of an eligible proceeding, including the indemnification of penalties imposed or expenses incurred in any such proceedings and the enforcement of an indemnification agreement. As permitted by the BCBCA, our articles require us to indemnify our directors, former directors or alternate directors (and such individual's respective heirs and legal representatives) and permit us to indemnify any person to the extent permitted by the BCBCA.

Listing

Our common shares and our Unit A Warrants are listed on The Nasdaq Capital Market under the symbols "VS" and "VSSYW," respectively.

Transfer Agent and Registrar

The U.S. transfer agent and registrar for our common shares and the Unit A Warrants is Computershare, Inc., located at 8742 Lucent Boulevard, Suite 300, Highlands Ranch, Colorado 80129. The telephone number of Computershare, Inc. at such address is (303) 262-0705.

Ownership and Exchange Controls

There is no limitation imposed by Canadian law or by our articles on the right of a non-resident to hold or vote our common shares, other than discussed below.

Competition Act

Limitations on the ability to acquire and hold our common shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition, or Commissioner, to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year after the acquisition has been substantially completed, to challenge this type of acquisition by seeking a remedial order, including an order to prohibit the acquisition or require divestitures, from the Canadian Competition Tribunal, which may be granted where the Competition Tribunal finds that the acquisition substantially prevents or lessens, or is likely to substantially prevent or lessen, competition.

This legislation also requires any person or persons who intend to acquire more than 20% of our voting shares or, if such person or persons already own more than 20% of our voting shares prior to the acquisition, more than 50% of our voting shares, to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded. Where a notification is required, unless an exemption is available, the legislation prohibits completion of the acquisition until the expiration of the applicable statutory waiting period, unless the Commissioner either waives or terminates such waiting period or issues an advance ruling certificate. The Commissioner's review of a notifiable transaction for substantive competition law considerations may take longer than the statutory waiting period.

Investment Canada Act

The *Investment Canada Act* requires each "non Canadian" (as defined in the *Investment Canada Act*) who acquires "control" of an existing "Canadian business," to file a notification in prescribed form with the responsible federal government department or departments not later than 30 days after closing, provided the acquisition of control is not a reviewable transaction under the *Investment Canada Act.* Subject to certain exemptions, a transaction that is reviewable under the *Investment Canada Act* may not be implemented until an application for review has been filed and the responsible Minister of the federal cabinet has determined that the investment is likely to be of "net benefit to Canada" taking into account certain factors set out in the *Investment Canada Act.* Under the *Investment Canada Act*, an investment in our common shares by a non-Canadian who is a World Trade Organization member country investor that is not a state-owned enterprise, including a United States investor would be reviewable only if it were an investment to acquire control of us pursuant to the *Investment Canada Act* and our enterprise value (as determined pursuant to the *Investment Canada Act* and its regulations) was equal to or greater than $1.075 billion (as of January 1, 2020). The enterprise value threshold for "trade agreement investors" that are not state-owned enterprises is $1.613 billion (as of January 1, 2020).

The *Investment Canada Act* contains various rules to determine if there has been an acquisition of control. Generally, for purposes of determining whether an investor has acquired control of a corporation by acquiring shares, the following general rules apply, subject to certain exceptions: the acquisition of a majority of the voting interests or a majority of the undivided ownership interests in the voting shares of the corporation is deemed to be acquisition of control of that corporation; the acquisition of less than a majority, but one-third or more, of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is presumed to be acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of voting shares; and the acquisition of less than one third of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is deemed not to be acquisition of control of that corporation.

Under the national security review regime in the *Investment Canada Act*, review on a discretionary basis may also be undertaken by the federal government with respect to a much broader range of investments by a non-Canadian to "acquire, in whole or part, or to establish an entity carrying on all or any part of its operations in Canada." No financial threshold applies to a national security review. The relevant test is whether such investment by a non-Canadian could be "injurious to national security." Review on national security grounds is at the discretion of the responsible ministers, and may occur on a pre- or post-closing basis.

Certain transactions relating to our common shares will generally be exempt from the *Investment Canada Act*, subject to the federal government's prerogative to conduct a national security review, including:

- the acquisition of our common shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- the acquisition of control of us in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Canada Act if the acquisition is subject to approval under Canadian legislation relating to financial institutions; and
- the acquisition of control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of us, through ownership of our common shares, remains unchanged.

Comparison of Shareholder Rights

We are a corporation governed by the BCBCA. The following discussion summarizes material differences between the rights of holders of our common shares and the rights of holders of the common share of a typical corporation incorporated under the laws of the state of Delaware, which result from differences in governing documents and the laws of British Columbia and Delaware. This summary is qualified in its entirety by reference to the DGCL, the BCBCA, and our articles.

Delaware	British Columbia

	Delaware	British Columbia
Stockholder/ Shareholder Approval of Business Combinations; Fundamental Changes	Under the DGCL, certain fundamental changes such as amendments to the certificate of incorporation, a merger, consolidation, sale, lease, exchange or other disposition of all or substantially all of the property of a corporation not in the usual and regular course of the corporation's business, or a dissolution of the corporation, are generally required to be approved by the holders of a majority of the outstanding stock entitled to vote on the matter, unless the certificate of incorporation requires a higher percentage. However, under the DGCL, mergers in which less than 20% of a corporation's stock outstanding immediately prior to the effective date of the merger is issued generally do not require stockholder approval. In certain situations, the approval of a business combination may require approval by a certain number of the holders of a class or series of shares. In addition, Section 251(h) of the DGCL provides that stockholders of a constituent corporation need not vote to approve a merger if: (i) the merger agreement permits or requires the merger to be effected under Section 251(h) and provides that the merger shall be effected as soon as practicable following the tender offer or exchange offer, (ii) a corporation consummates a tender or exchange offer for any and all of the outstanding stock of such constituent corporation that would otherwise be entitled to vote to approve the merger, (iii) following the consummation of the offer, the stock accepted for purchase or exchanges plus the stock owned by the consummating corporation equals at least the percentage of stock that would be required to adopt the agreement of merger under the DGCL, (iv) the corporation consummating the offer merges with or into such constituent corporation and (v) each outstanding share of each class or series of stock of the constituent corporation that was the subject of and not irrevocably accepted for purchase or exchange in the offer is to be converted in the merger into, or the right to receive, the same consideration to be paid for the shares of such class or series of stock of the constituent corporation irrevocably purchased or exchanged in such offer.	Under the BCBCA and our articles, certain changes to our authorized share structure and the change of our name maybe approved by a resolution of the directors our company. Under the BCBCA and our articles, certain extraordinary company alterations, such as to continuances, into or out of province, certain amalgamations, sales, leases or other dispositions of all or substantially all of the undertaking of a company (other than in the ordinary course of business), liquidations, dissolutions, and certain arrangements are required to be approved by ordinary or special resolution as applicable. An ordinary resolution is a resolution (i) passed at a shareholders' meeting by a simple majority, or (ii) passed, after being submitted to all of the shareholders, by being consented to in writing by shareholders who, in the aggregate, hold shares carrying at least two-thirds of the votes entitled to be cast on the resolution. A special resolution is a resolution (i) passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution at a meeting duly called and held for that purpose or (ii) passed by being consented to in writing by all shareholders entitled to vote on the resolution. Holders common shares vote together at all meetings of shareholders except meetings at which only holders of a particular class are entitled to vote. Under the BCBCA, an action that prejudices or interferes with a right or special right attached to issued shares of a class or series of shares must be approved by a special separate resolution of the holders of the class or series of shares being affected.
	The DGCL does not contain a procedure comparable to a plan of arrangement under BCBCA.	Subject to applicable securities laws, which may impose certain "Issuer bid" or tender offer requirements, under the BCBCA, arrangements with shareholders, creditors and other persons are permitted and a company may make any proposal it considers appropriate "despite any other provision" of the BCBCA. In general, a plan of arrangement is approved by a company's board of directors and then is submitted to a court for approval. It is customary for a company in such circumstances to apply to a court initially for an interim order governing various procedural matters prior to calling any security holder meeting to consider the proposed arrangement. Plans of arrangement involving shareholders must be approved by a special resolution of shareholders, including holders of shares not normally entitled to vote. The court may, in respect of an arrangement proposed with persons other than shareholders and creditors, require that those persons approve the arrangement in the manner and to the extent required by the court. The court determines, among other things, to whom notice shall be given and whether, and in what manner, approval of any person is to be obtained and also determines whether any shareholders may dissent from the proposed arrangement and receive payment of the fair value of their shares. Following compliance with the procedural steps contemplated in any such interim order (including as to obtaining security holder approval), the court would conduct a final hearing, which would, among other things, assess the fairness of the arrangement and approve or reject the proposed arrangement. The BCBCA does not contain a provision comparable to Section 251(h) of the DGCL.

Special Vote Required for Combinations with Interested Stockholders/ Shareholders	Section 203 of the DGCL provides (in general) that a corporation may not engage in a business combination with an interested stockholder for a period of three years after the time of the transaction in which the person became an interested stockholder. The prohibition on business combinations with interested stockholders does not apply in some cases, including if: (i) the board of directors of the corporation, prior to the time of the transaction in which the person became an interested stockholder, approves (a) the business combination or (b) the transaction in which the stockholder becomes an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or (iii) the board of directors and the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder approve the business combination on or after the time of the transaction in which the person became an interested stockholder. For the purpose of Section 203, the DGCL, subject to specified exceptions, generally defines an interested stockholder to include any person who, together with that person's affiliates or associates, (i) owns 15% or more of the outstanding voting stock of the corporation (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or (ii) is an affiliate or associate of the corporation and owned 15% or more of the outstanding voting stock of the corporation at any time within the previous three years.	The BCBCA does not contain a provision comparable to Section 203 of the DGCL with respect to business combinations.

	Delaware	British Columbia
Appraisal Rights; Rights to Dissent	Under the DGCL, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction. For example, a stockholder is entitled to appraisal rights in the case of a merger or consolidation if the shareholder is required to accept in exchange for the shares anything other than: (i) shares of stock of the corporation surviving or resulting from the merger or consolidation, or depository receipts in respect thereof; (ii) shares of any other corporation, or depository receipts in respect thereof, that on the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 shareholders; (iii) cash instead of fractional shares of the corporation or fractional depository receipts of the corporation; or (iv) any combination of the shares of stock, depository receipts and cash instead of the fractional shares or fractional depository receipts.	The BCBCA provides that shareholders of a company are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. The dissent right is applicable where the company resolves to (i) alter its articles to alter the restrictions on the powers of the company or on the business it is permitted to carry on; (ii) approve certain amalgamations; (iii) approve an arrangement, where the terms of the arrangement or court orders relating thereto permit dissent; (iv) sell, lease or otherwise dispose of all or substantially all of its undertaking; or (v) continue the company into another jurisdiction. Dissent may also be permitted if authorized by resolution. A court may also make an order permitting a shareholder to dissent in certain circumstances.
Compulsory Acquisition	Under the DGCL, mergers in which one corporation owns 90% or more of each class of stock of a second corporation may be completed without the vote of the second corporation's board of directors or shareholders.	The BCBCA provides that if, within 4 months after the making of an offer to acquire shares, or any class of shares, of a company, the offer is accepted by the holders of not less than 90% of the shares (other than the shares held by the offeror or an affiliate of the offeror) of any class of shares to which the offer relates, the offeror is entitled, upon giving proper notice within 5 months after the date of the offer, to acquire (on the same terms on which the offeror acquired shares from those holders of shares who accepted the offer) the shares held by those holders of shares of that class who did not accept the offer. Offerees may apply to the court, within 2 months of receiving notice, and the court may set a different price or terms of payment and may make any consequential orders or directions as it considers appropriate.
Stockholder/ Shareholder Consent to Action Without Meeting	Under the DGCL, unless otherwise provided in the certificate of incorporation, any action that can be taken at a meeting of the stockholders may be taken without a meeting if written consent to the action is signed by the holders of outstanding stock having not less than the minimum number of votes necessary to authorize or take the action at a meeting of the stockholders.	Although it is not customary for public companies to do so, under the BCBCA, shareholder action without a meeting may be taken by a consent resolution of shareholders provided that it satisfies the thresholds for approval in a company's articles, the BCBCA and the regulations thereunder. A consent resolution is as valid and effective as if it was a resolution passed at a meeting of shareholders.

	Delaware	British Columbia
Special Meetings of Stockholders/ Shareholders	Under the DGCL, a special meeting of shareholders may be called by the board of directors or by such persons authorized in the certificate of incorporation or the bylaws.	Under the BCBCA, the holders of not less than 5% of the issued shares of a company that carry the right to vote at a general meeting may requisition that the directors call a meeting of shareholders for the purpose of transacting any business that may be transacted at a general meeting. Upon receiving a requisition that complies with the technical requirements set out in the BCBCA, the directors must, subject to certain limited exceptions, call a meeting of shareholders to be held not more than 4 months after receiving the requisition. If the directors do not call such a meeting within 21 days after receiving the requisition, the requisitioning shareholders or any of them holding in aggregate not less than 2.5% of the issued shares of the company that carry the right to vote at general meetings may call the meeting.
Distributions and Dividends; Repurchases and Redemptions	Under the DGCL, subject to any restrictions contained in the certificate of incorporation, a corporation may pay dividends out of capital surplus or, if there is no surplus, out of net profits for the current and/or the preceding fiscal year in which the dividend is declared, as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by issued and outstanding shares having a preference upon the distribution of assets. Surplus is defined in the DGCL as the excess of the net assets over capital, as such capital may be adjusted by the board. A Delaware corporation may purchase or redeem shares of any class except when its capital is impaired or would be impaired by the purchase or redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.	Under the BCBCA, a company may pay a dividend in money or other property unless there are reasonable grounds for believing that the company is insolvent, or the payment of the dividend would render the company insolvent. The BCBCA provides that no special rights or restrictions attached to a series of any class of shares confer on the series a priority in respect of dividends or return of capital over any other series of shares of the same class. Under the BCBCA, the purchase or other acquisition by a company of its shares is generally subject to solvency tests similar to those applicable to the payment of dividends (as set out above). Our company is permitted, under its articles, to acquire any of its shares, subject to the special rights and restrictions attached to such class or series of shares and the approval of its board of directors. Under the BCBCA, subject to solvency tests similar to those applicable to the payment of dividends (as set out above), a company may redeem, on the terms and in the manner provided in its articles, any of its shares that has a right of redemption attached to it. Our common shares are not subject to a right of redemption.
Vacancies on Board of Director	Under the DGCL, a vacancy or a newly created directorship may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, unless otherwise provided in the certificate of incorporation or bylaws. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.	Under the BCBCA and our articles, a vacancy among the directors created by the removal of a director may be filled by the shareholders at the meeting at which the director is removed or, if not filled by the shareholders at such meeting, by the shareholders or by the remaining directors. In the case of a casual vacancy, the remaining directors may fill the vacancy. Under the BCBCA, directors may increase the size of the board of directors by one third of the number of current directors. Under the BCBCA and our articles, if as a result of one or more vacancies, the number of directors in office falls below the number required for a quorum, the remaining directors may appoint as directors the number of individuals that, when added to the number of remaining directors, will constitute a quorum and/or call a shareholders' meeting to fill any or all vacancies among directors and to conduct such other business that may be dealt with at that meeting, but must not take any other action until a quorum is obtained.

	Delaware	British Columbia
Constitution and Residency Of Directors	The DGCL does not have residency requirements, but a corporation may prescribe qualifications for directors under its certificate of incorporation or bylaws.	The BCBCA does not place any residency restrictions on the boards of directors.
Removal of Directors; Terms of Directors	Under the DGCL, except in the case of a corporation with a classified board or with cumulative voting, any director or the entire board may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors.	Our articles allow for the removal of a director by special resolution of the shareholders. According to our articles, all directors cease to hold office immediately before the election or appointment of directors at every annual general meeting, but are eligible for re-election or re-appointment.

Inspection of Books and Records	Under the DGCL, any holder of record of stock or a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may inspect the corporation's books and records for a proper purpose.	Under the BCBCA, directors and shareholders may, without charge, inspect certain of the records of a company. Former shareholders, to the extent permitted under our articles, and former directors may also inspect certain of the records, free of charge, but only those records pertaining to the times that they were shareholders or directors. Public companies must allow all persons to inspect certain records of the company free of charge.
Amendment of Governing Documents	Under the DGCL, a certificate of incorporation may be amended if: (i) the board of directors adopts a resolution setting forth the proposed amendment, declares the advisability of the amendment and directs that it be submitted to a vote at a meeting of shareholders; provided that unless required by the certificate of incorporation, no meeting or vote is required to adopt an amendment for certain specified changes; and (ii) the holders of a majority of shares of stock entitled to vote on the matter approve the amendment, unless the certificate of incorporation requires the vote of a greater number of shares. If a class vote on the amendment is required by the DGCL, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the DGCL. Under the DGCL, the board of directors may amend a corporation's bylaws if so authorized in the certificate of incorporation. The shareholders of a Delaware corporation also have the power to amend bylaws.	Under the BCBCA, a company may amend its articles or notice of articles by (i) the type of resolution specified in the BCBCA, (ii) if the BCBCA does not specify a type of resolution, then by the type specified in the company's articles, or (iii) if the company's articles do not specify a type of resolution, then by special resolution. The BCBCA permits many substantive changes to a company's articles (such as a change in the company's authorized share structure or a change in the special rights or restrictions that may be attached to a certain class or series of shares) to be changed by the resolution specified in that company's articles. Our articles provide that certain changes to our share structure and any creation or alteration of special rights and restrictions attached to a series or class of shares be done by way of a directors' resolution. However, if a right or special right attached to a class or series of shares would be prejudiced or interfered with by such an alteration, the BCBCA requires that holders of such class or series of shares must approve the alteration by a special separate resolution of those shareholders. Our articles also provide that the shareholders may from time to time, by special resolution, make any alteration to our notice of articles and articles as permitted by the BCBCA.

	Delaware	British Columbia

Indemnification of Directors and Officers	Under the DGCL, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding, provided that there is a determination that: (i) the individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation; and (ii) in a criminal action or proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful. Without court approval, however, no indemnification may be made in respect of any derivative action in which an individual is adjudged liable to the corporation, except to the extent the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity. The DGCL requires indemnification of directors and officers for expenses (including attorneys' fees) actually and reasonably relating to a successful defense on the merits or otherwise of a derivative or third-party action. Under the DGCL, a corporation may advance expenses relating to the defense of any proceeding to directors and officers upon the receipt of an undertaking by or on behalf of the individual to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified.	Under the BCBCA, a company may indemnify: (i) a current or former director or officer of that company; or (ii) a current or former director or officer of another corporation if, at the time such individual held such office, the corporation was an affiliate of the company, or if such individual held such office at the company's request, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment actually and reasonably incurred by him or her in respect of any legal proceeding or investigative action (whether current, threatened, pending or completed) in which he or she is involved because of that person's position as an indemnifiable person, unless: (i) the individual did not act honestly and in good faith with a view to the best interests of such company or the other entity, as the case may be; or (ii) in the case of a proceeding other than a civil proceeding, the individual did not have reasonable grounds for believing that the individual's conduct was lawful. A company cannot indemnify an indemnifiable person if it is prohibited from doing so under its articles. In addition, a company must not indemnify an indemnifiable person in proceedings brought against the indemnifiable person by or on behalf of the company or an associated company. A company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an indemnifiable person in respect of that proceeding only if the indemnifiable person has provided an undertaking that, if it is ultimately determined that the payment of expenses was prohibited, the indemnifiable person will repay any amounts advanced. Subject to the aforementioned prohibitions on indemnification, a company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an indemnifiable person in respect of such eligible proceeding if such indemnifiable person has not been reimbursed for such expenses, and was wholly successful, on the merits or otherwise, in the outcome of such eligible proceeding or was substantially successful on the merits in the outcome of such eligible proceeding. On application from us or from an indemnifiable person, a court may make any order the court considers appropriate in respect of an eligible proceeding, including the indemnification of penalties imposed or expenses incurred in any such proceedings and the enforcement of an indemnification agreement. As permitted by the BCBCA, our articles require us to indemnify our directors, officers, former directors or officers (and such individual's respective heirs and legal representatives) and permit us to indemnify any person to the extent permitted by the BCBCA.

	Delaware	**British Columbia**
Limited Liability of Directors	The DGCL permits the adoption of a provision in a corporation's certificate of incorporation limiting or eliminating the monetary liability of a director to a corporation or its shareholders by reason of a director's breach of the fiduciary duty of care. The DGCL does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its shareholders; (ii) acts or omissions not in good faith; (iii) engaging in intentional misconduct or a known violation of law; (iv) obtaining an improper personal benefit from the corporation; or (v) paying a dividend or approving a stock repurchase that was illegal under applicable law.	Under the BCBCA, a director or officer of a company must (i) act honestly and in good faith with a view to the best interests of the company; (ii) exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances; (iii) act in accordance with the BCBCA and the regulations thereunder; and (iv) subject to (i) to (iii), act in accordance with the articles of the company. These statutory duties are in addition to duties under common law and equity. No provision in a contract or the articles of a company may relieve a director or officer of a company from the above duties. Under the BCBCA, a director is not liable for certain acts if the director has otherwise complied with his or her duties and relied, in good faith, on (i) financial statements of the company represented to the director by an officer of the company or in a written report of the auditor of the company to fairly reflect the financial position of the company, (ii) a written report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by that person, (iii) a statement of fact represented to the director by an officer of the company to be correct, or (iv) any record, information or representation that the court considers provides reasonable grounds for the actions of the director, whether or not that record was forged, fraudulently made or inaccurate or that information or representation was fraudulently made or inaccurate. Further, a director is not liable if the director did not know and could not reasonably have known that the act done by the director or authorized by the resolution voted for or consented to by the director was contrary to the BCBCA.

Stockholder/ Shareholder Lawsuits	Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation; provided, however, that under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which the subject of the suit, but through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action have been met.	Under the BCBCA, a shareholder (including a beneficial shareholder) or director of a company and any person who, in the discretion of the court, is an appropriate person to make an application to court to prosecute or defend an action on behalf of a company (a derivative action) may, with judicial leave: (i) bring an action in the name and on behalf of the company to enforce a right, duty or obligation owed to the company that could be enforced by the company itself or to obtain damages for any breach of such right, duty or obligation or (ii) defend, in the name and on behalf of the company, a legal proceeding brought against the company. Under the BCBCA, the court may grant leave if: (i) the complainant has made reasonable efforts to cause the directors of the company to prosecute or defend the action; (ii) notice of the application for leave has been given to the company and any other person that the court may order; (iii) the complainant is acting in good faith; and (iv) it appears to the court to be in the interests of the company for the action to be prosecuted or defended. Under the BCBCA, upon the final disposition of a derivative action, the court may make any order it determines to be appropriate. In addition, under the BCBCA, a court may order a company to pay the complainant's interim costs, including legal fees and disbursements. However, the complainant may be held accountable for the costs on final disposition of the action.

	Delaware	**British Columbia**
Oppression Remedy	Although the DGCL imposes upon directors and officers fiduciary duties of loyalty (i.e., a duty to act in a manner believed to be in the best interest of the corporation and its stockholders) and care, there is no remedy under the DGCL that is comparable to the BCBCA's oppression remedy.	The BCBCA's oppression remedy enables a court to make an order (interim or final) to rectify the matters complained of if the court is satisfied upon application by a shareholder (as defined below) that the affairs of the company are being conducted or that the powers of the directors are being or have been exercised in a manner that is oppressive, or that some action of the company or shareholders has been or is threatened to be taken which is unfairly prejudicial, in each case to one or more shareholders. The application must be brought in a timely manner. A "shareholder" for the purposes of the oppression remedy includes legal and beneficial owners of shares as well as any other person whom the court considers appropriate. The oppression remedy provides the court with extremely broad and flexible jurisdiction to intervene in corporate affairs to protect shareholders.
Blank Check Preferred Stock/Shares	Under the DGCL, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred shares with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares. In addition, the DGCL does not prohibit a corporation from adopting a shareholder rights plan, or "poison pill," which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.	Under the BCBCA, once a class of preferred shares has been created, the board of directors may be authorized, without shareholder approval, but subject to the provisions of the articles and BCBCA, to determine the maximum number of shares of each series, create an identifying name for each series and attach such special rights or restrictions, including dividend, liquidation and voting rights, as our board of directors may determine, and such special rights or restrictions, including dividend, liquidation and voting rights, may be superior to those of the common shares. Under the BCBCA, each share of a series of shares must have the same special rights or restrictions as are attached to every other share of that series of shares. In addition, the special rights or restrictions attached to shares of a series of shares must be consistent with the special rights or restrictions attached to the class of shares of which the series of shares is part. The BCBCA does not prohibit a corporation from adopting a shareholder rights plan, or "poison pill," which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

	Delaware	**British Columbia**

Advance Notification Requirements for Proposals of Stockholders/Shareholders	Delaware corporations typically have provisions in their bylaws that require a stockholder proposing a nominee for election to the board of directors or other proposals at an annual or special meeting of the stockholders to provide notice of any such proposals to the secretary of the corporation in advance of the meeting for any such proposal to be brought before the meeting of the stockholders. In addition, advance notice bylaws frequently require the stockholder nominating a person for election to the board of directors to provide information about the nominee, such as his or her age, address, employment and beneficial ownership of shares of the corporation's capital stock. The stockholder may also be required to disclose, among other things, his or her name, share ownership and agreement, arrangement or understanding with respect to such nomination. For other proposals, the proposing stockholder is often required by the bylaws to provide a description of the proposal and any other information relating to such stockholder or beneficial owner, if any, on whose behalf that proposal is being made, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for the proposal and pursuant to and in accordance with the Exchange Act and the rules and regulations promulgated thereunder.	Under the BCBCA, qualified shareholders holding at least one percent (1%) of our issued voting shares or whose shares have a fair market value in excess of CAD$2,000 in the aggregate may make proposals for matters to be considered at the annual general meeting of shareholders. Such proposals must be sent to us in advance of any proposed meeting by delivering a timely written notice in proper form to our registered office in accordance with the requirements of the BCBCA. The notice must include information on the business the shareholder intends to bring before the meeting in the prescribed form. To be a qualified shareholder, a shareholder must currently be and have been a registered or beneficial owner of at least one share of the company for at least two years before the date of signing the proposal. If the proposal and a written statement in support of the proposal (if any) are submitted at least three months before the anniversary date of the previous annual meeting and the proposal and written statement (if any) meet other specified requirements, then the company must either set out the proposal, including the names and mailing addresses of the submitting person and supporters and the written statement (if any), in the proxy circular of the company or attach the proposal and written statement thereto. In certain circumstances, the company may refuse to process a proposal. We have included Advance Notice Provisions (as defined in the "Description of Share Capital" section above) in our articles. Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide us notice, in the prescribed form, within the prescribed time periods.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of our common shares in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of common shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common shares in the public market after such restrictions lapse. This may adversely affect the prevailing market price of our common shares and our ability to raise equity capital in the future.

Upon completion of this offering, we will have 13,089,562 common shares outstanding, or 16,442,911 common shares outstanding if the underwriters exercise their option in full to purchase additional common shares. Of these, 13,089,562 common shares, or 16,442,911 common shares if the underwriters exercise their option in full to purchase additional common shares, sold in this offering will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining common shares are "restricted shares" as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 of the Securities Act. As a result of the contractual 180-day lock-up period described below and the provisions of Rules 144 and 701, these shares will be available for sale in the public market as follows:

Number of Shares	Date
13,089,562	On the date of this prospectus.
0	After 91 days from the date of this prospectus (subject, in some cases, to volume limitations).
0	After 180 days from the date of this prospectus (subject, in some cases, to volume limitations).

Lock-up Restrictions

We and each of our directors, executive officers, and certain of our shareholders, have agreed, without the prior written consent of the representative of the underwriters, not to directly or indirectly, offer to sell, sell, pledge or otherwise transfer or dispose of any of (or enter into any transaction or device that is designed to, or could be expected to, result in the transfer or disposition by any person at any time in the future of) our common shares, enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of our common shares, make any demand for or exercise any right or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any common shares or securities convertible into or exercisable or exchangeable for common shares or any other securities of our company or publicly disclose the intention to do any of the foregoing for a period of 90 days after the date of this prospectus. The lock-up restrictions and specified exceptions are described in more detail under "Underwriting."

Rule 144

In general, under Rule 144, any person who is not our affiliate and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, subject to the availability of current public information about us. In addition, under Rule 144, any person who is not our affiliate and has not been our affiliate at any time during the preceding three months and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares without regard to whether current public information about us is available.

A person who is our affiliate or who was our affiliate at any time during the preceding three months and who has beneficially owned restricted securities for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of common shares within any three-month period that does not exceed the greater of: (i) 1% of the number of our shares outstanding; and (ii) the average weekly trading volume of our common shares on The Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701 under the Securities Act, any of our employees, directors, officers, consultants or advisors who acquired common shares from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 prior to our IPO is entitled to sell such shares in reliance on Rule 144 but without compliance with certain of the requirements contained in Rule 144. Accordingly, subject to any applicable lock-up restrictions, under Rule 701 persons who are not our affiliates may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our affiliates may resell those shares without compliance with Rule 144's minimum holding period requirements.

Canadian Resale Restrictions

Any sale of any of our shares which constitutes a "control distribution" under Canadian securities laws (generally a sale by a person or a group of persons holding more than 20% of our outstanding voting securities) will be subject to restrictions under Canadian securities laws in addition to those restrictions noted above, unless the sale is qualified under a prospectus filed with Canadian securities regulatory authorities, or if prior notice of the sale is filed with the Canadian securities regulatory authorities at least seven days before any sale and there has been compliance with certain other requirements and restrictions regarding the manner of sale, payment of commissions, reporting and availability of current public information about us and compliance with applicable Canadian securities laws.

Equity Incentive Plans

Following this offering, we plan to file with the SEC a registration statement on Form S-8 under the Securities Act covering the common shares that are subject to outstanding options and other awards that may be granted pursuant to our equity incentive plans. Shares covered by such registration statement will be available for sale in the open market following its effective date, subject to certain Rule 144 limitations applicable to affiliates and the terms of lock-up restrictions applicable to those shares.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR U.S. HOLDERS

Subject to the limitations and qualifications stated herein, this discussion sets forth certain material U.S. federal income tax considerations relating to the acquisition, ownership and disposition by U.S. Holders (as defined below) of the units ("Units"), with each Unit consisting of one common share and two warrants, a Unit A Warrant and a Unit B Warrant, acquired pursuant to this offering, and the exercise, disposition and lapse of warrants acquired as part of the Unit. The discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect. This summary applies only to U.S. Holders and does not address tax consequences to a non-U.S. Holder (as defined below) investing in our Units.

This discussion of a U.S. Holder's tax consequences addresses only those persons that hold the Units as capital assets and does not address the tax consequences to any special class of holders, including without limitation, holders (directly, indirectly or constructively) of 10% or more of our equity (based on value or voting power), dealers in securities or currencies, banks, tax-exempt organizations, insurance companies, financial institutions, broker-dealers, regulated investment companies, real estate investment trusts, traders in securities that elect the mark-to-market method of accounting for their securities holdings, persons that hold securities that are a hedge or that are hedged against currency or interest rate risks or that are part of a straddle, conversion or "integrated" transaction, persons required to accelerate the recognition of any item of gross income with respect to the common shares as a result of such income being recognized on an applicable financial statement, U.S. expatriates or former long-term residents of the United States, partnerships or other pass-through entities for U.S. federal income tax purposes, U.S. Holders that acquire Units in connection with the exercise of employee stock options or otherwise as compensation for services and U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar. This discussion does not address the effect of the U.S. federal alternative minimum tax, U.S. federal estate and gift tax, alternative minimum tax, the 3.8% Medicare contribution tax on net investment income or any state, local or non-U.S. tax laws on a holder of Units. This discussion does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, U.S. federal estate and gift, alternative minimum, and non-U.S. tax consequences of the acquisition, ownership and disposition of the Units.

This discussion also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada); (b) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Units in connection with carrying on a business in Canada; (c) persons whose Units constitute "taxable Canadian property" under the Income Tax Act (Canada); or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Units acquired pursuant to this offering that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust (i) if a court within the United States can exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of that trust, or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. The term "non-U.S. Holder" means any beneficial owner of Units acquired pursuant to this offering that is not a U.S. Holder, a partnership (or an entity or arrangement that is treated as a partnership or other pass-through entity for U.S. federal income tax purposes) or a person holding Units through such an entity or arrangement.

If a partnership or an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds Units, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships that hold Units should consult their own tax advisors. **You are urged to consult your own independent tax advisor regarding the specific U.S. federal, state, local and non-U.S. income and other tax considerations relating to the acquisition, ownership and disposition of Units.**

U.S. Federal Income Tax Consequences of the Acquisition of Units

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a Unit will be treated as the acquisition of one common share, one Unit A Warrant and one Unit B Warrant. The purchase price for each Unit will be allocated between these components in proportion to each component's relative fair market value at the time the Unit is

purchased by the U.S. Holder. This allocation of the purchase price for each Unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the common share, the Unit A Warrant and the Unit B Warrant that comprise each Unit.

For this purpose, the Company will allocate US$11.90 of the purchase price for each Unit to the common share, US$0.001 of the purchase price for each Unit to the Unit A Warrant, and US$0.001 of the purchase price for each Unit to the Unit B Warrant. A U.S. Holder's initial tax basis for U.S. federal income tax purposes in the common share and warrants that comprise each Unit will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of purchase. However, the IRS will not be bound by such allocation of the purchase price for the Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Units.

U.S. Federal Income Tax Consequences of the Exercise and Disposition of Warrants

The following discussion is subject in its entirety to the rules described below under the heading "Passive Foreign Investment Company Considerations."

Exercise of Warrants

A U.S. Holder should not recognize gain or loss on the exercise of a Unit A Warrant or Unit B Warrant and related receipt of a common share (unless cash is received in lieu of the issuance of a fractional common share). A U.S. Holder's initial tax basis in the common share received on the exercise of a Unit A Warrant or Unit B Warrant, as applicable, should be equal to the sum of (a) such U.S. Holder's tax basis in such warrant plus (b) the exercise price paid by such U.S. Holder on the exercise of such warrant (translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of exercise). A U.S. Holder's holding period for the common share received on the exercise of a warrant should begin on the date that such warrant is exercised by such U.S. Holder.

Disposition of Warrants

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Unit A Warrant or Unit B Warrant, as applicable, in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the warrant sold or otherwise disposed of. Any such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if the applicable warrant is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Expiration of Warrants Without Exercise

Upon the lapse or expiration of a Unit A Warrant or Unit B Warrant, as applicable, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the applicable warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the applicable warrant is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Certain Adjustments to the Warrants

Under Section 305 of the Code, an adjustment to the number of common shares that will be issued on the exercise of the Unit A Warrants or Unit B Warrants, as applicable, or an adjustment to the exercise price of the warrants, may be treated as a constructive distribution to a U.S. Holder of the warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in the "earnings and profits" or the Company's assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to the shareholders). Adjustments to the exercise price of the Unit A Warrants or Unit B Warrants made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of the warrants generally should not be considered to result in a constructive distribution. Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. (See more detailed discussion of the rules applicable to distributions made by the Company at "U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares – Cash Dividends and Other Distributions" below).

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares

Cash Dividends and Other Distributions

As described in the section entitled "Dividend Policy" above, we currently intend to retain any future earnings to fund business development and growth, and we do not expect to pay any dividends in the foreseeable future. However, to the extent there are any distributions (including constructive distributions) made with respect to our common shares (including common shares received upon the exercise of a Unit A Warrant or Unit B Warrant), subject to the PFIC rules discussed below, a U.S. Holder generally will be required to treat distributions received with respect to its common shares (including the amount of Canadian taxes withheld, if any) as dividend income to the extent of our current or accumulated earnings and profits (computed using U.S. federal income tax principles), with the excess treated as a non-taxable return of capital to the extent of the holder's adjusted tax basis in its common shares and, thereafter, as capital gain recognized on a sale or exchange on the day actually or constructively received by you (see "Sale or Disposition of Common Shares" below). There can be no assurance that we will maintain calculations of our earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution with respect to our common shares will constitute ordinary dividend income. Dividends paid on the common shares will not be eligible for the dividends received deduction allowed to U.S. corporations.

Dividends paid to a non-corporate U.S. Holder by a "qualified foreign corporation" may be subject to reduced rates of taxation if certain holding period and other requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a foreign corporation that is a PFIC in the taxable year in which the dividend is paid or the preceding taxable year) if (i) its common shares are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes. Our common shares are readily tradable on an established securities market in the United States, the OTCQB. We may also be eligible for the benefits of the Canada-U.S. Tax Convention. Accordingly, subject to the PFIC rules discussed below, we expect that a non-corporate U.S. Holder should qualify for the reduced rate on dividends so long as the applicable holding period requirements are met. U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rate on dividends in light of their particular circumstances.

Non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

Distributions paid in a currency other than U.S. dollars will be included in a U.S. Holder's gross income in a U.S. dollar amount based on the spot exchange rate in effect on the date of actual or constructive receipt, whether or not the payment is converted into U.S. dollars at that time. The U.S. Holder will have a tax basis in such currency

equal to such U.S. dollar amount, and any gain or loss recognized upon a subsequent sale or conversion of the foreign currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

A U.S. Holder who pays (whether directly or through withholding) Canadian taxes with respect to dividends paid on our common shares may be entitled to receive either a deduction or a foreign tax credit for such Canadian taxes paid. Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by us generally will constitute "foreign source" income and generally will be categorized as "passive category income." However, if 50% or more of our equity (based on voting power or value) is treated as held by U.S. persons, we will be treated as a "United States-owned foreign corporation," in which case dividends may be treated for foreign tax credit limitation purposes as "foreign source" income to the extent attributable to our non-U.S. source earnings and profits and as "U.S. source" income to the extent attributable to our U.S. source earnings and profits. Because the foreign tax credit rules are complex, each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Sale or Disposition of Common Shares

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize gain or loss on the taxable sale or exchange of its common shares in an amount equal to the difference between the U.S. dollar amount realized on such sale or exchange (determined in the case of common shares sold or exchanged for currencies other than U.S. dollars by reference to the spot exchange rate in effect on the date of the sale or exchange or, if the common shares sold or exchanged are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in the common shares sold or otherwise disposed of determined in U.S. dollars.

Assuming we are not a PFIC and have not been treated as a PFIC during your holding period for our common shares, such gain or loss will be capital gain or loss and will be long-term gain or loss if the common shares have been held for more than one year. Under current law, long-term capital gains of non-corporate U.S. Holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, a U.S. Holder may not be able to use the foreign tax credit arising from any Canadian tax imposed on the disposition of a common share unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. U.S. Holders are encouraged to consult their own tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

Passive Foreign Investment Company Considerations

Status as a PFIC

The rules governing PFICs can have adverse tax effects on U.S. Holders. We generally will be classified as a PFIC for U.S. federal income tax purposes if, for any taxable year, either: (1) 75% or more of our gross income consists of certain types of passive income, or (2) the average value (determined on a quarterly basis), of our assets that produce, or are held for the production of, passive income is 50% or more of the value of all of our assets.

For purposes of the PFIC provisions, "gross income" generally means sales revenues less cost of goods sold, plus income from investments and from incidental or outside operations or sources. Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income.

Additionally, if we are classified as a PFIC in any taxable year with respect to which a U.S. Holder owns common shares, we generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding taxable years, regardless of whether we continue to meet the tests described above, unless the U.S. Holder makes the "deemed sale election" described below.

We do not believe that we are currently a PFIC, and we do not anticipate becoming a PFIC in the foreseeable future. Notwithstanding the foregoing, the determination of whether we are a PFIC is made annually and depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and also may be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (a) the market price of our common shares, which is likely to fluctuate, and (b) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction, including this offering. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year. Prospective investors should consult their own tax advisors regarding our potential PFIC status.

Under proposed Treasury Regulations, if the Company is a PFIC for any taxable year during which a U.S. Holder holds Unit A Warrants or Unit B Warrants, gain recognized on the sale or other taxable disposition (other than by exercise) of the warrants by a U.S. Holder may be subject to the PFIC rules. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the application of the PFIC rules to the warrants and the ability to make a QEF election or mark-to-market election with respect to such warrants.

U.S. Federal Income Tax Treatment of a Shareholder of a PFIC

If we are classified as a PFIC for any taxable year during which a U.S. Holder owns common shares, the U.S. Holder, absent certain elections (including the mark-to-market and QEF elections described below), generally will be subject to adverse rules (regardless of whether we continue to be classified as a PFIC) with respect to (i) any "excess distributions" (generally, any distributions received by the U.S. Holder on its common shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for its common shares) and (ii) any gain realized on the sale or other disposition, including a pledge, of its common shares.

Under these adverse rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are classified as a PFIC will be taxed as ordinary income, (c) the amount allocated to each other taxable year during the U.S. Holder's holding period in which we were classified as a PFIC (i) will be subject to tax at the highest rate of tax in effect for the applicable category of taxpayer for that year and (ii) will be subject to an interest charge at a statutory rate with respect to the resulting tax attributable to each such other taxable year, and (d) loss recognized on the disposition of the common shares will not be deductible.

If we are classified as a PFIC, a U.S. Holder generally will be treated as owning a proportionate amount (by value) of stock or shares owned by us in any direct or indirect subsidiaries that are also PFICs and will be subject to similar adverse rules with respect to any distributions we receive from, and dispositions we make of, the stock or shares of such subsidiaries. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

If we are classified as a PFIC and then cease to be so classified, a U.S. Holder may make an election (a "deemed sale election") to be treated for U.S. federal income tax purposes as having sold such U.S. Holder's common shares on the last day our taxable year during which we were a PFIC. A U.S. Holder that makes a deemed sale election

would then cease to be treated as owning stock in a PFIC by reason of ownership of our common shares. However, gain recognized as a result of making the deemed sale election would be subject to the adverse rules described above and loss would not be recognized.

PFIC "Mark-to-Market" Election

In certain circumstances, a U.S. Holder can avoid certain of the adverse rules described above by making a mark-to-market election with respect to its common shares, provided that the common shares are "marketable." Common shares will be marketable if they are "regularly traded" on certain U.S. stock exchanges or on a foreign stock exchange that meets certain conditions. For these purposes, the common shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. Our common shares are listed on the CSE and the OTCQB, each of which is a qualified exchange for these purposes. Consequently, if our common shares remain listed on the CSE or the OTCQB and are regularly traded, and you are a holder of common shares, we expect the mark-to-market election would be available to you if we are a PFIC. You should consult your own tax advisor as to the whether a mark-to-market election is available or advisable with respect to the common shares.

A U.S. Holder that makes a mark-to-market election must include in gross income, as ordinary income, for each taxable year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the U.S. Holder's common shares at the close of the taxable year over the U.S. Holder's adjusted tax basis in its common shares. An electing U.S. Holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted tax basis in its common shares over the fair market value of its common shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains previously included in income. A U.S. Holder that makes a mark-to-market election generally will adjust such U.S. Holder's tax basis in its common shares to reflect the amount included in gross income or allowed as a deduction because of such mark-to-market election. Gains from an actual sale or other disposition of common shares in a year in which we are a PFIC will be treated as ordinary income, and any losses incurred on a sale or other disposition of common shares will be treated as ordinary losses to the extent of any net mark-to-market gains previously included in income.

If we are classified as a PFIC for any taxable year in which a U.S. Holder owns common shares but before a mark-to-market election is made, the adverse PFIC rules described above will apply to any mark-to-market gain recognized in the year the election is made. Otherwise, a mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years. The election cannot be revoked without the consent of the Internal Revenue Service, or IRS, unless the common shares cease to be marketable, in which case the election is automatically terminated.

A mark-to-market election is not permitted for the shares of any of our subsidiaries that are also classified as PFICs. Prospective investors should consult their own tax advisors regarding the availability of, and the procedure for making, a mark-to-market election.

PFIC "QEF" Election

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by obtaining certain information from such PFIC and by making a QEF election to be taxed currently on its share of the PFIC's undistributed income. We do not, however, expect to provide the information regarding our income that would be necessary in order for a U.S. Holder to make a QEF election with respect to common shares if we are classified as a PFIC.

PFIC Information Reporting Requirements

If we are a PFIC in any year, a U.S. Holder of common shares in such year will be required to file an annual information return on IRS Form 8621 regarding distributions received on such common shares and any gain realized on disposition of such common shares. In addition, if we are a PFIC, a U.S. Holder generally will be required to file an annual information return with the IRS (also on IRS Form 8621, which PFIC shareholders are required to file with their U.S. federal income tax or information return) relating to their ownership of common shares. This new filing requirement is in addition to the pre-existing reporting requirements described above that apply to a U.S. Holder's interest in a PFIC (which this requirement does not affect).

NO ASSURANCE CAN BE GIVEN THAT WE ARE NOT CURRENTLY A PFIC OR THAT WE WILL NOT BECOME A PFIC IN THE FUTURE. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE OPERATION OF THE PFIC RULES AND RELATED REPORTING REQUIREMENTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE ADVISABILITY OF MAKING ANY ELECTION THAT MAY BE AVAILABLE.

Reporting Requirements and Backup Withholding

Under U.S. federal income tax law and applicable Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a non-U.S. corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person, and any interest in a non-U.S. entity. U.S. Holders may be subject to these reporting requirements unless such U.S. Holder's common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial.

Payments made within the United States or by a U.S. payor or U.S. middleman of (a) distributions on the common shares, and (b) proceeds arising from the sale or other taxable disposition of common shares generally may be subject to information reporting and backup withholding, currently at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. The information reporting and backup withholding rules may apply even if, under the Canada-U.S. Tax Convention, payments may be exempt from the dividend withholding tax rules or otherwise eligible for a reduced withholding rate. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE DISCUSSION DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO YOU OF AN INVESTMENT IN THE UNITS.

CANADIAN TAX IMPLICATIONS FOR NON-CANADIAN HOLDERS

The following summary describes, as of the date hereof, the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires, as a beneficial owner, common shares pursuant to this offering and who, at all relevant times, for the purposes of the application of the *Income Tax Act* (Canada) and the Income

Tax Regulations (collectively, the "Canadian Tax Act"), (1) is not, and is not deemed to be, resident in Canada for purposes of the Canadian Tax Act and any applicable income tax treaty or convention; (2) deals at arm's length with us; (3) is not affiliated with us; (4) does not use or hold, and is not deemed to use or hold, common shares in a business carried on in Canada; (5) has not entered into, with respect to the common shares, a "derivative forward agreement" as that term is defined in the Canadian Tax Act and (6) holds the common shares as capital property (a "Non-Canadian Holder"). Special rules, which are not discussed in this summary, may apply to a Non-Canadian Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Canadian Tax Act, and an understanding of the current administrative policies of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Canada-United States Tax Convention (1980), as amended (the "Canada-U.S. Tax Treaty") publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, you should consult your own tax advisor with respect to your particular circumstances.

Generally, for purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of the common shares must be converted into Canadian dollars based on the exchange rates as determined in accordance with the Canadian Tax Act. The amount of any dividends required to be included in the income of, and capital gains or capital losses realized by, a Non-Canadian Holder may be affected by fluctuations in the Canadian exchange rate.

Dividends

Dividends paid or credited on the common shares or deemed to be paid or credited on the common shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Canadian Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident. For example, under the Canada-U.S. Tax Treaty, where dividends on the common shares are considered to be paid to or derived by a Non-Canadian Holder that is a beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to benefits of, the Canada-U.S. Tax Treaty, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions

A Non-Canadian Holder will not be subject to tax under the Canadian Tax Act on any capital gain realized on a disposition or deemed disposition of a subordinate voting share, unless the common shares are "taxable Canadian property" to the Non-Canadian Holder for purposes of the Canadian Tax Act and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

Generally, the common shares will not constitute "taxable Canadian property" to a Non-Canadian Holder at a particular time provided that the common shares are listed at that time on a "designated stock exchange" (as defined in the Canadian Tax Act), which includes the NYSE and the TSX, unless at any particular time during the 60-month period that ends at that time (i) one or any combination of (a) the Non-Canadian Holder, (b) persons with whom the Non-Canadian Holder does not deal at arm's length, and (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, has owned 25% or more of the issued shares of any class or series of our capital stock, and (ii) more than 50% of the fair market value of the common shares was derived, directly or indirectly, from one or any combination of : (i) real or immoveable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Canadian Tax Act), (iii) "timber resource properties" (as defined in the Canadian Tax Act) and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists. Notwithstanding the foregoing, in certain circumstances set out in the Canadian Tax Act, common shares could be deemed to be "taxable Canadian property." **Non-Canadian Holders whose common shares may constitute "taxable Canadian property" should consult their own tax advisors**

PLAN OF DISTRIBUTION

We will deliver common shares upon the exercise of the Warrants. Each of the Warrants contains instructions for exercise. We will deliver common shares in the manner described above in the section titled "Description of Warrants." We do not know if or when the Warrants will be exercised. We also do not know whether any of the common shares acquired upon exercise will be sold.

LEGAL MATTERS

The validity of our common shares and certain other matters of Canadian law will be passed upon for us by Fasken Martineau DuMoulin, LLP, Vancouver, British Columbia. Certain matters of U.S. federal law will be passed upon for us by Pryor Cashman LLP, New York, New York.

EXPERTS

Our audited consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 included in this prospectus have been so included in reliance upon the report of Davidson & Company LLP, independent registered public accountants, upon the authority of the said firm as experts in accounting and auditing.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the federal laws of Canada. Some of our directors and officers, and some of the experts named in this prospectus, are residents of Canada or otherwise reside outside of the United States, and all or a substantial portion of their assets, and all or a substantial portion of our assets, are located outside of the United States. We have appointed an agent for service of process in the United States, but it may be difficult for shareholders who reside in the United States to effect service within the United States upon those directors, officers and experts who are not residents of the United States. It may also be difficult for shareholders who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. There can be no assurance that U.S. investors will be able to enforce against us, members of our board of directors, officers or certain experts named herein who are residents of Canada or other countries outside the United States, any judgments in civil and commercial matters, including judgments under the federal securities laws.

EXPENSES OF THE OFFERING

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of the common shares being registered. All amounts listed below are estimates except the SEC registration fee, FINRA filing fee and The Nasdaq Capital Market listing fee. We will pay all of the expenses of this offering.

Item	Amount

SEC registration fee	$ 6,364
FINRA filing fee	6,883
Printing expenses	22,329
Legal fees and expenses	550,744
Accounting fees and expenses	45,181
Transfer Agent fees and expenses	58,924
Miscellaneous fees	10,967
Total	$ 701,392

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the common shares offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and the common shares offered hereby, please refer to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants, including Versus Systems Inc., that file electronically with the SEC. The SEC's Internet website address is www.sec.gov.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. Although we are not required to prepare and issue quarterly reports as a foreign private issuer, we currently intend to file quarterly reports on Form 6-K with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders and Section 16 short-swing profit reporting for our directors, officers and holders of more than 10% of our voting securities.

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Audited Financial Statements for the Years Ended December 31, 2019 and 2020

DAVIDSON & COMPANY LLP Chartered Professional Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Versus Systems Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Versus Systems Inc. (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, changes in equity (deficit), and cash flows for the years ended December 31, 2020, 2019 and 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020, 2019 and 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2003.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada — Chartered Professional Accountants

May 3, 2021

A member of Nexia International

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Versus Systems Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2020 ($)	December 31, 2019 ($)
ASSETS		
Current assets		
Cash	2,965,957	99,209
Receivables (Note 4)	603,870	44,400
Deferred financing costs (Note 3 and 19)	517,360	-
Prepaids	23,675	28,003
	4,110,862	171,612
Restricted deposit (Note 5)	11,497	11,500
Deposits	127,812	129,897
Property and equipment (Note 6)	625,938	948,998
Intangible assets (Note 8)	2,256,903	2,780,347
Total Assets	7,133,012	4,042,354
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9 and 12)	1,894,825	975,405
Notes payable (Note 10)	2,975,747	-
Lease liability (Note 17)	271,669	328,373
Current liabilities	5,142,241	1,303,778
Non-current liabilities		
Lease liability (Note 17)	561,316	794,027
Notes payable (Note 10)	2,906,838	4,814,767
Total liabilities	8,610,395	6,912,572
Equity		
Share capital (Note 11)		
Common shares	108,788,385	99,505,558
Class "A" shares	37,927	37,927
Share subscriptions received in advance	-	300,000
Reserves (Note 11)	11,513,554	9,832,386
Deficit	(114,270,214)	(106,521,639)
	6,069,652	3,154,232
Non-controlling interest (Note 7)	(7,547,035)	(6,024,450)
Total Equity	(1,477,383)	(2,870,218)
Total Liabilities and Equity	7,133,012	4,042,354

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

Versus Systems Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
	($)	($)	($)
REVENUES	1,864,709	664,922	1,620
EXPENSES			
Cost of Sales	-	-	170
Amortization (Note 6)	323,060	327,221	29,642
Amortization of intangible assets (Note 8)	1,706,972	2,530,590	2,965,035
Consulting fees (Note 12)	624,136	814,128	1,177,405
Foreign exchange loss	33,160	38,797	147,273
Office and miscellaneous expenses	343,240	424,992	854,242
Interest expense	233,388	225,334	77,669
Interest expense on lease obligations (Note 17)	80,640	104,384	-
Professional fees	1,047,086	445,603	621,979
Salaries and wages (Note 10 and 12)	3,440,720	3,252,789	2,074,554
Sales and marketing	652,303	787,398	199,412
Software and delivery costs	346,005	244,594	451,410
Share-based compensation (Note 11)	1,407,414	839,249	651,316
	(8,373,415)	(9,370,157)	(9,248,487)
Finance expense (Note 10)	(371,061)	(257,448)	(125,903)
Loss on disposal of marketable securities (Note 11)	(508,050)	-	-
Other (expense) income	(18,634)	-	1,219
Loss and comprehensive loss	(9,271,160)	(9,627,605)	(9,373,171)
Loss and comprehensive loss attributable to:			
Shareholders	(7,748,575)	(6,869,121)	(4,631,477)
Non-controlling interest	(1,522,585)	(2,758,484)	(4,741,694)
	(9,271,160)	(9,627,605)	(9,373,171)
Basic and diluted loss per common share attributable to Versus Systems Inc.	(0.84)	(0.98)	(0.86)
Weighted average common shares outstanding	9,724,701	7,032,150	5,398,326

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

Versus Systems Inc.
Consolidated Statement of Changes in Equity (Deficit)
(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Class "A" Shares	Share Capital		Reserves	Deficit	Share subscriptions received	Equity	Non-controlling Interest	Total Equity (Deficit)
			Common Shares	Class "A" Shares						
			($)	($)	($)	($)	($)	($)	($)	($)
Balance at December 31, 2017	4,797,431	5,057	88,302,958	37,927	6,922,770	(90,341,608)	-	4,922,047	(1,151,915)	3,770,132
Shares issued for warrant exercise	153,750	-	384,000	-	-	-	-	384,000	-	384,000
Shares issued in private placement	766,230	-	3,598,943	-	78,957	-	-	3,677,900	-	3,677,900
Share issuance costs	-	-	(562,884)	-	116,226	-	-	(446,658)	-	(446,658)
Contribution benefit	-	-	-	-	500,921	-	-	500,921	-	500,921
Performance warrants issued	-	-	-	-	140,531	-	-	140,531	-	140,531
Stock options granted	-	-	-	-	510,785	-	-	510,785	-	510,785
Loss and comprehensive loss	-	-	-	-	-	(4,631,477)	-	(4,631,477)	(4,741,694)	(9,373,171)

Balance at December 31, 2018	5,717,412	5,057	91,723,017	37,927	8,270,190	(94,973,085)	-	5,058,049	(5,893,609)	(835,560)
Shares issued in private placement	2,003,164	-	6,101,525	-	199,753	-	-	6,301,278	-	6,301,278
Share subscriptions received	-	-	-	-	-	-	300,000	300,000	-	300,000
Acquisition of Versus LLC	576,834	-	1,892,012	-	159,778	(4,679,433)	-	(2,627,643)	2,627,643	-
Share issuance costs	-	-	(653,035)	-	82,928	-	-	(570,107)	-	(570,107)
Contribution benefit	-	-	-	-	297,110	-	-	297,110	-	297,110
Exercise of warrants	154,990	-	422,670	-	(8,253)	-	-	414,417	-	414,417
Performance warrants issued	-	-	-	-	12,889	-	-	12,889	-	12,889
Exercise of options	3,125	-	19,369	-	(8,369)	-	-	11,000	-	11,000
Stock-based compensation	-	-	-	-	826,360	-	-	826,360	-	826,360
Loss and comprehensive loss	-	-	-	-	-	(6,869,121)	-	(6,869,121)	(2,758,484)	(9,627,605)
Balance at December 31, 2019	8,455,525	5,057	99,505,558	37,927	9,832,386	(106,521,639)	300,000	3,154,232	(6,024,450)	(2,870,218)
Shares issued in private placement	947,532	-	3,328,899	-	55,210	-	-	3,384,109	-	3,384,109
Share subscriptions received	-	-	300,000	-	-	-	(300,000)	-	-	-
Contribution benefit	-	-	-	-	228,497	-	-	228,497	-	228,497
Exercise of warrants	1,056,143	-	4,583,093	-	-	-	-	4,583,093	-	4,583,093
Shares issued for services and investment	270,636	-	1,047,782	-	-	-	-	1,047,782	-	1,047,782
Exercise of options	3,750	-	23,053	-	(9,953)	-	-	13,100	-	13,100
Stock-based compensation	-	-	-	-	1,407,414	-	-	1,407,414	-	1,407,414
Loss and comprehensive loss	-	-	-	-	-	(7,748,575)	-	(7,748,575)	(1,522,585)	(9,271,160)
Balance at December 31, 2020	10,733,586	5,057	108,788,385	37,927	11,513,554	(114,270,214)	-	6,069,652	(7,547,035)	(1,477,383)

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

Versus Systems Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020 ($)	Year Ended December 31, 2019 ($)	Year Ended December 31, 2018 ($)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Loss for the year	(9,271,160)	(9,627,605)	(9,373,171)
Items not affecting cash:			
Amortization (Note 6)	24,062	30,695	29,642
Amortization of intangible assets (Note 8)	1,706,972	2,530,590	2,965,035
Amortization of right-of-use assets (Note 6)	298,998	296,526	-
Shares issued for services (Note 11)	349,225	-	-
Finance expense	371,061	257,448	125,903
Interest expense	80,637	273,574	77,669
Loss on sale of investment	508,050	-	-
Factoring fees	50,306	-	-
Effect of foreign exchange	41,855	(86,125)	-
Forgiveness on government loan (Note 10)	(601,668)	-	-
Share-based compensation	1,407,414	839,249	651,316
Changes in non-cash working capital items:			
Receivables	(559,470)	(39,622)	5,454
Prepaids and deposits	4,327	34,369	(36,000)
Accounts payable and accrued liabilities	495,829	23,026	478,207
Cash used in operating activities	(5,093,562)	(5,467,875)	(5,075,945)
FINANCING ACTIVITIES			

Proceeds from notes payable	1,261,254	2,633,667	3,106,652
Proceeds from government PPP loan (Note 10)	829,937	-	-
Repayment of notes payable	(336,000)	(1,258,194)	-
Proceeds from share issuances, net	7,980,413	6,156,588	-
Payments for lease liabilities	(409,819)	(359,119)	4,061,900
Receivable factoring costs	(50,306)	-	-
Proceeds from subscriptions received in advance	-	300,000	-
Deferred financing costs	(93,768)	-	(446,659)
Cash provided by financing activities	9,181,711	7,472,942	6,721,893
INVESTING ACTIVITIES			
Proceeds from sale of investments	190,396	-	-
Development of intangible assets	(1,411,797)	(1,939,858)	(1,804,207)
Purchase of equipment	-	-	(38,843)
Cash used in investing activities	(1,221,401)	(1,939,858)	(1,842,690)
Change in cash during the year	2,866,748	65,209	(196,742)
Cash - Beginning of year	99,209	34,000	230,742
Cash - End of year	2,965,957	99,209	34,000
Supplemental Cash Flow Information (Note 16)			

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 is traded on the Canadian Securities Exchange ("CSE") under the symbol "VS" and on the OTCQB market under the trading symbol "VRSSF". Subsequent to December 31, 2020 the Company voluntarily delisted from the CSE. On November 20, 2020, the Company filed a registration statement on Form F-1 with the U.S. Securities and Exchange Commission. The proposed offering contemplated by the registration statement is an initial public offering in the United States of the Company's units, each unit consisting of one common share in the capital of the Company and two warrants, each to purchase one additional common share in the capital of the Company. The offering was finalized in January 2021 (Note 19). During the year ended December 31, 2020, 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 split on a retroactive basis.

The Company is engaged in the technology sector and is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of December 31, 2020, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. Subsequent to year end, the Company completed a public offering with total proceeds of approximately US$11 million. The Company estimates that it has adequate financial resources for the next twelve months. 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 consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

COVID-19 Pandemic

In March 2020 the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

VERSUS SYSTEMS INC.
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2. BASIS OF PRESENTATION (continued)

These consolidated financial statements were authorized for issue by the Board of Directors on May 3, 2021.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

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

Basis of consolidation

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

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Versus Systems (Holdco) Inc.	United States of America	66.8%	Holding Company
Versus Systems UK, Ltd	United Kingdom	66.8%	Sales Company
Versus LLC	United States of America	66.8%	Technology Company

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions

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

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

i) Deferred income taxes

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

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

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

iii) Valuation of share-based compensation

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

iv) Depreciation and Amortization

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

2. BASIS OF PRESENTATION (continued)

v) Determination of functional currency

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

vi) Revenue Recognition

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totaled 4,671,713 (2019 – 3,656,318) as they were anti-dilutive.

Property and Equipment

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

Asset	Rate
Computers	Straight line, 3 years
Right of use assets	Shorter of useful life or lease term

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments:

Financial assets/liabilities	Classification
Cash	FVTPL
Receivables	Amortized cost
Restricted deposit	Amortized cost
Deposit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets at amortized cost

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

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

Derecognition

Financial assets

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

As of December 31, 2020, the Company does not have any derivative financial assets and liabilities.

Intangible assets excluding goodwill

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. The Company's intangible asset is amortized on a straight-line basis over 3 years. In the year development costs are incurred, amortization is based on a half year.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Financing Costs

Deferred financing costs consist primarily of direct incremental costs related to the Company's public offering of its common stock, which was completed in January 2021 (See Note 19). Upon completion of the Company's public offering any deferred cost will be offset against the proceeds of the offering. The Company incurred $517,360 of deferred financing cost during the year ended December 31, 2020.

Impairment of intangible assets excluding goodwill

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) the intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Where a reasonable and consistent basis of allocation can be identified, corporate assets (assets other than goodwill that contribute to the future cash flows of both the CGU under review and other CGUs) are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income taxes

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

Current Income Tax

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

Deferred income tax

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

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

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

VERSUS SYSTEMS INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

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

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

As a practical expedient, IFRS 16 permits a lease not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient, and accordingly allocates the consideration in the contract to lease and non-lease components based on the stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in profit or loss to offset the corresponding expenses on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Non-controlling interest

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

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

Valuation of equity units issued in private placements

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Compensation

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

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

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

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

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) development and maintenance of custom-built software or other professional services, or 2) the sale of advertising.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

As the Company's performance obligations are satisfied within 12 months, the Company has elected the practical expedients under IFRS 15, which allows the Company not to record any significant financing component as a result of financing any of its arrangements and not to capitalize cost incurred to obtain a contract.

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

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

Comprehensive Income (Loss)

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

(Expressed in Canadian dollars)

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from one customer ($484,790), GST receivable ($29,080) and share subscription receivable ($90,000). The amount of trade receivable included within Receivables on the consolidated statement of financial position was $484,790 and none as of December 31, 2020 and 2019, respectively. There has been no provision for doubtful accounts for the years presented.

The Company entered into an Accounts Receivable Purchase and Security Agreement (the "Factor Agreement") with full recourse. Pursuant to the Factor Agreement, the factor advances funds to the Company for the right to collect cash flows from factored accounts receivable and charges fees for its services. The factor advances funds to the Company at 90% of accounts receivable factored. The outstanding balance bears a daily interest rate of 0.05%. As of December 31, 2020, 100% of the monies owed were collected by the Company and the factoring agent under the terms of the Factor Agreement. The Company expenses the fees and interest charged by the factoring agent as a loss on factoring within its financial statements, which totaled $50,306 during the twelve month period ended December 31, 2020.

5. RESTRICTED DEPOSIT

As of December 31, 2020, restricted deposits consisted of $11,497 (2019 - $11,500) held in a guaranteed investment certificate as collateral for a corporate credit card.

6. PROPERTY AND EQUIPMENT

	Computers	Right of Use Asset	Total
	($)	($)	($)
Cost			
At December 31, 2017	76,256	-	-
Additions	38,483	-	-
At December 31, 2018	114,739	-	114,739
Additions		1,217,109	1,217,109
At December 31, 2019	114,739	1,217,109	1,331,848
Additions	-	-	-
At December 31, 2020	**114,739**	**1,217,109**	**1,331,848**
Accumulated amortization			
At December 31, 2017	25,987	-	25,987
Amortization for the year	29,642	-	29,642
At December 31, 2018	55,629	-	55,629
Amortization for the year	30,695	296,526	327,221
At December 31, 2019	86,324	296,526	382,850
Amortization for the year	24,062	298,998	323,060
At December 31, 2020	**110,386**	**595,524**	**705,910**
Carrying amounts			
At December 31, 2018	59,110	-	59,110
At December 31, 2019	28,415	920,583	948,998
At December 31, 2020	**4,353**	**621,585**	**625,938**

7. NON-CONTROLLING INTEREST IN VERSUS LLC

As of December 31, 2018, the Company held a 41.3% 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.

On May 21, 2019, the Company acquired an additional 25.2% interest in Versus LLC in exchange for 574,009 common shares of the Company and 287,005 share purchase warrants that are exercisable at $3.20 per share until June 30, 2019. The common shares and the share purchase warrants were determined to have a fair value of $1,882,749 and $156,389, respectively. As a result, the Company increased its ownership interest to 66.5% and recorded the excess purchase price over net identifiable liabilities of $4,644,719 against reserves. The effect on non-controlling interest was a reduction of $2,605,582.

On June 21, 2019, the Company acquired an additional 0.3% interest in Versus LLC in exchange for 2,825 common shares of the Company and 1,412 share purchase warrants that are exercisable at $3.20 per share until June 30, 2019. The common shares and the share purchase warrants were determined to have a fair value of $9,263 and $3,389, respectively. As a result, the Company increased its ownership interest to 66.8% and recorded the excess purchase price over net identifiable assets of $34,714 against reserves. The effect on non-controlling interest was a reduction of $22,061.

The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as of December 31, 2020 and 2019:

	2020	2019	2018
Non-controlling interest percentage	**33.2%**	**33.2%**	**58.7%**

(Expressed in Canadian dollars)

	($)	($)	($)
Assets			
Current	1,012,081	103,398	72,222
Non-current	2,974,249	3,739,445	3,566,490
	3,986,330	**3,842,843**	**3,638,712**
Liabilities			
Current	1,325,230	823,285	740,249
Non-current	22,510,724	17,851,531	11,059,323
	23,835,954	**18,674,816**	**11,799,572**
Net liabilities	**(19,849,624)**	**(14,831,973)**	**(8,160,860)**
Non-controlling interest	**(7,547,035)**	**(6,024,450)**	**(5,893,609)**
Loss and comprehensive loss	**(4,586,099)**	**(6,671,113)**	**(7,766,709)**
Loss and comprehensive loss attributed to non-controlling interest	**(1,522,585)**	**(2,758,484)**	**(4,741,694)**

8. INTANGIBLE ASSETS

Intangible assets are comprised of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. the Company continues to develop new apps, therefore additional costs were capitalized during the year ended December 31, 2020.

	Software
	($)
Cost	
At December 31, 2017	7,993,002
Additions	1,804,207
At December 31, 2018	9,797,209
Additions	1,939,858
At December 31, 2019	11,737,067
Additions	1,183,528
At December 31, 2020	**12,920,595**
Accumulated amortization	
At December 31, 2017	3,461,095
Amortization	2,965,035
At December 31, 2018	6,426,130
Amortization	2,530,590
At December 31, 2019	8,956,720
Amortization	1,706,972
At December 31, 2020	**10,663,692**
Carrying amounts	
At December 31, 2018	3,371,079
At December 31, 2019	2,780,347
At December 31, 2020	**2,256,903**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2020	December 31, 2019
	($)	($)
Accounts payable	716,177	446,988
Due to related parties	716,808	492,181
Accrued liabilities	461,840	36,236
	1,894,825	975,405

10. NOTES PAYABLE

During the year ended December 31, 2020, the Company issued unsecured notes payable for total proceeds of $1,261,254 from director and officers of the Company who are also shareholders. The loans bear interest at the prime rate which was 2.45% to 3.95% per annum at December 31, 2020, compounded annually and payable quarterly, and had a maturity date of three years from the date of issuance. The notes were considered below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $228,497 was recorded in reserves. As of December 31, 2020, the Company had recorded $472,107 in accrued interest which was included in accounts payable and accrued liabilities.

(Expressed in Canadian dollars)

10. NOTES PAYABLE (continued)

During the year ended December 31, 2019, the Company issued unsecured notes payable for total proceeds of $2,633,667 from director and officers of the Company who are also shareholders. The loans bear interest at the prime rate which was 3.95% per annum at December 31, 2019, compounded annually and payable quarterly, and had a maturity date of three years from the date of issuance. The notes were considered below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $297,710 was recorded in reserves. As of December 31, 2019, the Company had recorded $249,496 in accrued interest which was included in accounts payable and accrued liabilities.

During the twelve months ended December 31, 2020, the Company recorded finance expense of $371,062 (December 31, 2019 - $257,448), related to bringing the notes to their present value.

	Amount ($)
Balance at December 31, 2017	747,322
Proceeds	3,106,652
Contribution benefit	(500,921)
Finance expense	125,903
Balance at December 31, 2018	3,478,956
Proceeds	2,633,667
Repayments	(1,258,194)
Contribution benefit	(297,110)
Finance expense	257,448
Balance, December 31, 2019	4,814,767
Proceeds	1,261,254
Repayments	(336,000)
Contribution benefit	(228,497)
Finance expense	371,061
Balance, December 31, 2020	**5,882,585**
Current	**2,975,747**
Non-current	**2,906,838**

In May 2020, the Company received loan proceeds in the aggregate amount of $829,937 (USD$610,247) under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act within the United States of America in response to the COVID-19 pandemic, provides for loans to qualifying businesses. A portion of the loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries. No collateral or guarantees were provided in connection with the PPP loans.

The unforgiven portion of the PPP loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first nine months. The Company used the proceeds for purposes consistent with the PPP. For the year ended December 31, 2020 the Company had incurred eligible payroll cost of $829,937 which were fully offset against the loan balance. Of the total loan balance, $228,269 was applied towards payroll cost capitalized as intangible assets.

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

An unlimited number of common shares without par value and 5,057 Class "A" shares, Series 1. The Class "A" shares, Series 1 are non-voting and are non-voting and do not have any special rights or restrictions associated with them.

b) Issued share capital

During the year ended December 31, 2020, the Company:

i) issued, 150,000 units at a price of $4.00 per unit for total proceeds of $600,000. Each unit consisted of one common share and a one half share purchase warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until February 17, 2021.

ii) issued, 172,532 units at a price of $4.00 per unit for total proceeds of $690,125. Each unit consisted of one common share and one share purchase warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $6.40 until July 17, 2022.

iii) issued, 625,000 units at a price of $4.00 per unit for total proceeds of $2,500,000. Each unit consisted of one common share and a one half share purchase warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until November 17, 2022.

iv) entered into a Mutual Investment Agreement with Animoca Brands Inc. (Animoca) in which the Company issued 181,547 shares of the Company's common stock with a value of $698,557 in exchange for 4,327,431 shares of Animoca common stock. On the same date, the Company issued an additional 89,088 shares of the Company's common stock with a value of $349,225 to Animoca in exchange for services (included in professional fees). The Company subsequently sold all of its shares of Animoca and recognized a loss of $508,050.

v) Issued, 1,058,993 common shares pursuant to exercise of 1,056,143 warrants and 3,750 stock options for total proceeds of $4,596,193.

(Expressed in Canadian dollars)

During the year ended December 31, 2019, the Company:

i) issued, 624,228 units at a price of $2.88 per unit for total proceeds of $1,797,778. Each unit consisted of one common share and a one common stock warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $4.80 until February 14, 2021.

ii) issued, 1,094,844 units pursuant to a private placement at a price of $3.20 per unit for total proceeds of $3,503,500. Each unit consisted of one common share and a one common stock warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $5.60 until July 26, 2021.

11. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

iii) issued, 284,092 units at a price of $3.52 per unit for total proceeds of $1,000,000. Each unit consisted of one common share and one common stock warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $5.60 until August 9, 2021.

v) issued 576,834 common shares at a value of $1,892,012 on acquisition of Versus LLC shares (Note 6).

vi) issued 158,115 common shares pursuant to the exercise of share purchase warrants and stock options for total proceeds of $425,417.

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

i) issued, 766,231 units at a price of $4.80 per unit for total proceeds of $3,677,900. Each unit consisted of one common share and a one half common stock warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until April 12, 2020. A residual value of $78,957 was allocated to the warrants.

ii) issued 153,750 common shares pursuant to the exercise of share purchase warrants for total proceeds of $384,000.

Escrow

At December 31, 2020, 313 common shares (December 31, 2019 and 2018 – 313) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

c) Stock options

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

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price ($)
Balance – December 31, 2017	531,559	4.96
Granted	72,284	5.92
Forfeited	(54,319)	5.28
Balance – December 31, 2018	549,524	4.96
Granted	482,500	5.28
Exercised	(3,125)	3.52
Forfeited	(15,500)	6.72
Balance –December 31, 2019	1,013,399	5.12
Granted	470,083	4.11
Exercised	(3,750)	3.49
Forfeited	(125,907)	6.04
Balance – December 31, 2020	1,353,825	4.70

11. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital (continued)

(Expressed in Canadian dollars)

During the year ended December 31, 2020, 470,083 stock options were granted by the Company with a fair value of $1,216,228 (or $2.69 per option). During the year ended December 31, 2020, the Company recorded share-based compensation of $1,407,414 (December 31, 2019 - $826,360) relating to options vested during the year.

During the year ended December 31, 2019, the Company granted a total of 482,500 stock options with a fair value of $1,724,580 (or $3.52 per option).

During the year ended December 31, 2018, the Company granted a total of 72,284 stock options with a fair value of $343,711 (or $5.92 per option).

During the year ended December 31, 2018, the Company recorded share-based compensation of $651,316 relating to options vested during the year.

The Company used the following assumptions in calculating the fair value of stock options for the years ended:

	December 31, 2020	December 31, 2019	December 31, 2018
Risk-free interest rate	0.26% - 0.37%	1.59%	2.18%
Expected life of options	2.0 – 5.0 years	5.0 years	5.0 years
Expected dividend yield	Nil	Nil	Nil
Volatility	79.44% - 87.79%	95.8%	111.6%

At December 31, 2020, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Weighted Average Remaining Life
			($)	(years)
July 13, 2021	325,147	316,066	4.32	0.53
March 17, 2022	13,063	12,451	6.96	1.21
May 18, 2022	5,750	5,301	7.84	1.38
July 31, 2022	171,114	103,381	4.00	1.58
September 14, 2022	74,156	64,216	5.52	1.70
November 19, 2022	12,500	521	6.00	1.88
June 6, 2023	14,063	8,789	7.36	2.43
September 4, 2023	12,813	6,204	4.00	2.68
April 2, 2024	107,500	52,500	3.36	3.26
June 27, 2024	6,250	4,688	3.36	3.49
July 24, 2024	148,344	15,453	4.00	3.57
September 27, 2024	312,500	98,828	6.00	3.74
October 22, 2024	12,500	5,078	5.28	3.81
July 24, 2025	113,125	24,076	4.00	4.57
August 10, 2025	12,500	2,083	4.00	4.61
November 19, 2024	12,500	260	6.00	3.89
	1,353,825	719,895	4.70	2.53

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants

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

	Number Outstanding	Weighted Average Exercise Price
		($)
Balance – December 31, 2017	1,711,690	4.80
Exercised	(153,750)	2.56
Expired	(517,000)	6.40
Issued	427,598	6.24
Balance – December 31, 2018	1,468,538	4.96
Exercised	(154,990)	2.72
Expired	(347,732)	3.20
Issued	2,349,365	5.12
Balance – December 31, 2019	3,315,181	5.28
Exercised	(1,056,143)	2.40
Expired	(438,948)	4.32
Issued	872,532	6.13
Balance – December 31, 2020	2,692,622	5.88

During the year ended December 31, 2020, the Company:

(Expressed in Canadian dollars)

i) On February 17, 2020, the Company, completed a unit private placement which included 75,000 share purchase warrants exercisable at $6.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

ii) On July 17, 2020, the Company, completed a unit private placement which included 172,532 share purchase warrants exercisable at $4.00 per share for a period of two years. The share purchase warrants were determined to have a fair value of $55,210 using the residual value method.

ii) On November 17, 2020, the Company, completed a unit private placement which included. 625,000 share purchase warrants exercisable at $4.00 per share for a period of two years.

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants

During the year ended December 31, 2019, the Company:

i) On February 14, 2019, the Company completed a unit private placement which included 624,228 share purchase warrants exercisable at $4.80 per share for a period of two years. The share purchase warrants were determined to have a fair value of $199,753 using the residual value method.

ii) On February 14, 2019, the Company completed a unit private placement which included 43,696 broker warrants exercisable at $2.88 per share for a period of two years. The share purchase warrants were determined to have a fair value of $61,843 using the Black Scholes option pricing model.

iii) On July 26, 2019, the Company completed a unit private placement which included 1,094,844 share purchase warrants exercisable at $5.60 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual method.

iv) On July 26, 2019, the Company issued 14,088 agent warrants exercisable to purchase additional shares at a price of $5.60 per share for a period of 24 months from closing. The agent warrants were determined to have a fair value of $20,985.

v) On August 9, 2019, the Company completed a unit private placement which included 284,093 share purchase warrants exercisable at $5.60 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual method.

vi) The Company issued 288,416 warrants at a value of $159,778 for the acquisition of Newco shares (Note 7).

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

i) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 383,120 share purchase warrants exercisable at $6.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $140,531 using the residual value method.

ii) On March 29, 2018 and April 12, 2018, completed a unit private placement which included 44,463 brokers' warrants exercisable at $4.80 per share for a period of two years. The broker warrants were determined to have a fair value of $116,226 using the Black Scholes option pricing model.

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

	December 31, 2019	December 31, 2018
Risk-free interest rate	1.77%	1.85%
Expected life of options	2.0 years	2.0 years
Expected dividend yield	Nil	Nil
Volatility	107.14%	86.44%
Weighted average fair value per warrant	$ 0.64	$ 2.56

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants

At December 31, 2020, the Company had share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price ($)	Weighted Average Remaining Life (years)

February 13, 2021	75,000	6.40	0.13*
February 14, 2021	247,133	4.80	0.13*
February 14, 2021	6,883	2.88	0.13*
July 26, 2021	952,117	5.60	0.57
July 26, 2021	9,866	5.60	0.57
August 9, 2021	247,841	5.60	0.63
March 17, 2022	356,250	6.40	1.21
July 17, 2022	172,532	6.40	1.54
November 17, 2022	625,000	6.40	1.88
	2,692,622	5.88	0.97

* See Note 19

On September 30, 2016, the Company issued 625,250 performance warrants with a fair value of $1,725,496. These performance warrants vested during the year ended December 31, 2019.

At December 31, 2020, the Company had performance warrants outstanding as follows:

Expiry Date	**Performance Warrants Outstanding**	**Performance Warrants Exercisable**	**Exercise Price**	Remaining Life
			($)	(years)
June 30, 2021	625,250	625,250	4.00	0.50

12. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the year ended December 31, 2020 and 2019. Key management personnel includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and officers and companies controlled or significantly influenced by them.

Key Management Personnel	2020	2019	2018
	($)	($)	($)
Short-term employee benefits paid or accrued to the CEO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	375,858	382,002	434,543
Short-term employee benefits paid or accrued to the CFO of the Company, including share-based compensation vested for incentive stock options	366,818	262,432	150,706
Short-term employee benefits paid or accrued to a member of the advisory board of the Company, including share-based compensation vested for incentive stock options and performance warrants.	290,314	62,209	297,445
Short-term employee benefits paid or accrued to the Chief Technical Officer of the Company, including share-based compensation vested for incentive stock options and performance warrants.	403,626	297,140	238,456
Short-term employee benefits paid or accrued to certain directors and officers of the Company including share-based compensation vested for incentive stock options and performance warrants.	440,000	442,757	101,456
Total	1,876,616	1,446,540	1,222,606

Other Related Party Payments

Lease payments of $84,000 (2019 - $84,000; 2018 - $76,000) were paid or accrued to a corporation that shares management in common with the Company.

Amounts Outstanding

a) At December 31, 2020, a total of $757,265 (December 31, 2019 - $492,181) was included in accounts payable and accrued liabilities owing to officers, directors, or companies controlled by them. These amounts are unsecured and non-interest bearing.

b) At December 31, 2020 a total of $6,220,254 (December 31, 2019 - $5,470,000) of long term notes was payable to a director, a member of the advisory board and the CEO of the Company (Note 10).

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

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

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

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

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

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

The fair value of cash, receivables, accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The fair value of notes payable approximates its book value as it was discounted using a market rate of interest.

Credit risk

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

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Liquidity risk

The Company's cash is invested in business accounts which are available on demand, The Company has raised additional capital subsequent to December 31, 2020 (Note 19). Accordingly, the Company' cash position is not sufficient to meet all financial liabilities currently outstanding and expected to be incurred over the next twelve months.

Interest rate risk

The Company's bank account earns interest income at variable rates and the notes payable bear interest at the prime lending rate. A 1% change in interest rates would have no significant impact on profit or loss for the year ended December 31, 2020.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign exchange risk

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

The Company was exposed to the following foreign currency risk as of December 31, 2020, December 31, 2019, and December 31, 2018:

	December 31, 2020	December 31, 2019	December 31, 2018
	(US$)	(US$)	(US$)
Cash	86,800	72,097	25,689
Lease obligations	(741,868)	(768,563)	-
Accounts payable and accrued liabilities	(1,092,402)	(445,660)	(543,790)
	(1,747,470)	(1,142,126)	(518,101)

As of December 31, 2020, with other variables unchanged, a +/- 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's profit or loss by $220,000 (December 31, 2019 - $148,000; December 31, 2018 - $71,000).

14. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. Capital consists of items within equity (deficiency). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will spend its existing cash on hand and raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to maximize ongoing corporate development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested

(Expressed in Canadian dollars)

in certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2020.

15. GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in one business activity, being the development of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. Revenue earned during the year ended December 31, 2020 is from one customer based in the United States and receivables of $484,790 are due from that customer.

Details of identifiable assets by geographic segments are as follows:

	Restricted deposits	Deposits	Property and equipment	Intangible assets
December 31, 2020				
Canada	$ 11,497	$ -	$ 44,316	$ -
USA	-	127,812	581,622	2,256,903
	$ 11,497	$ 127,812	$ 625,938	$ 2,256,903
December 31, 2019				
Canada	$ 11,500	$ -	$ 119,797	$ -
USA	-	129,897	829,201	2,780,347
	$ 11,500	$ 129,897	$ 948,998	$ 2,780,347

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2020 ($)	2019 ($)	2018 ($)
Non-cash investing and financing activities:			
Contribution benefit on low interest rate notes (Note 9)	228,497	182,299	500,921
Shares issued to acquire Newco shares (Note 6)	-	1,892,012	-
Deferred financing cost included in accrued expenses	423,392	-	-
Residual value of units	55,210	-	78,957
Fair value of broker warrants	-	-	116,226
Interest paid during the year	-	56,144	-
Income taxes paid during the year	-	-	-

17. LEASE OBLIGATIONS AND COMMITMENTS

Lease Liabilities

	$
Lease liabilities recognized as of January 1, 2019	1,469,664
Lease payments made	(359,119)
Interest expense on lease liabilities	104,384
Foreign exchange adjustment	(92,529)
Lease liabilities recognized as of January 1, 2020	1,122,400
Lease payments made	(409,819)
Interest expense on lease liabilities	80,637
Foreign exchange adjustment	39,767
	832,985
Less: current portion	(271,669)
At December 31, 2020	561,316

(Expressed in Canadian dollars)

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

Year	Amount
	($)
2022	49,000

On September 6, 2017, the Company entered into a rental agreement for office space in Los Angeles, USA. Under the terms of the agreement the Company will pay monthly rent starting at US$17,324 commencing on October 1, 2017 until September 30, 2022.

Year	Amount
	US($)
2021	251,384
2022	260,185
2023	131,576

18. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019	2018
	($)	($)	($)
Loss for the year	(9,271,160)	(9,627,605)	(9,373,171)
Expected income tax (recovery)	(2,503,000)	(2,599,000)	(2,531,000)
Change in statutory, foreign tax, foreign exchange rates and other	369,000	528,000	(96,000)
Permanent differences	541,000	345,000	180,000
Share issue costs	-	(154,000)	(121,000)
Adjustment to prior years provision versus statutory tax returns	(47,000)	4,157,000	(1,026,000)
Change in unrecognized deductible temporary differences	1,640,000	(2,277,000)	3,594,000
Income tax expense	-	-	-

b) Deferred Income Taxes

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019	2018
	($)	($)	($)
Non-capital losses carry-forward	10,519,000	9,054,000	17,116,000
Exploration and evaluation assets	1,910,000	1,919,000	1,929,000
Share issuance costs	141,000	200,000	109,000
Debt with accretion	(91,000)	(127,000)	(139,000)
Intangible assets	1,736,000	1,605,000	623,000
Allowable capital losses	4,819,000	4,749,000	82,000
Property and equipment	83,000	77,000	34,000
	19,117,000	17,477,000	19,754,000
Unrecognized deferred tax assets	(19,117,000)	(17,477,000)	(19,754,000)

18. INCOME TAXES (continued)

b) Deferred Income Taxes

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	2020	Expiry Date Range	2019	Expiry Date Range
	($)		($)	
Non-capital losses available for future periods - US	19,962,000	2036 to indefinite	15,498,000	2036 to indefinite
Non-capital losses available for future periods - Canada	23,094,000	2026 to 2040	21,005,000	2026 to 2039
Allowable capital losses	17,847,000	No expiry date	17,588,000	No expiry date
Property and equipment	354,000	No expiry date	327,000	No expiry date
Intangible asset	8,267,000	No expiry date	7,642,000	No expiry date
Exploration and evaluation assets	7,075,000	No expiry date	7,108,000	No expiry date
Share issuance costs	521,000	2040 to 2044	740,000	2040 to 2043

Tax attributes are subject to review, and potential adjustment, by tax authorities.

19. SUBSEQUENT EVENTS

i) On January 21, 2021, the Company completed a public offering and issued 1,472,000 units at a price of USD $7.50 USD per unit per unit for total proceeds of USD $11,040,000. Each unit consisted of one common share, one Unit A warrant and one Unit B warrant, each to purchase one common share at USD $7.50 per share until January 21, 2023. In connection with the offering, the Company incurred $517,360 in deferred financing costs as of December 31, 2020.

ii) Subsequent to December 31, 2020, the Company issued 215,341 units to a director in exchange for the forgiveness of $1,889,865 of notes and accrued interest of $184,441.

iii) Subsequent to December 31, 2020, the Company's warrant and option holders had exercised 899,056 warrants at an average exercise price of $3.32 per share for total proceeds of $2,787,138

iv) Subsequent to December 31, 2020, the Company repaid $477,619 of notes payable outstanding.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

THREE MONTH PERIOD ENDED

MARCH 31, 2021

Versus Systems Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited - prepared by management)

	March 31, 2021	December 31, 2020
	($)	($)
ASSETS		
Current assets		
Cash	14,023,971	2,965,957
Receivables (Note 4)	107,233	603,870
Deferred financing costs (Note 3)	-	517,360
Prepaids	499,264	23,675
	14,630,468	4,110,862
Restricted deposit (Note 5)	11,497	11,497
Deposits	126,605	127,812
Property and equipment (Note 6)	541,996	625,938

Intangible assets (Note 8)	2,213,634	2,256,903
Total Assets	17,524,200	7,133,012
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9 and 12)	1,267,112	1,894,825
Notes payable (Note 10)	1,480,780	2,975,747
Lease liability (Note 17)	249,290	271,669
Current liabilities	2,997,182	5,142,241
Non-current liabilities		
Lease liability (Note 17)	493,031	561,316
Notes payable (Note 10)	2,100,017	2,906,838
Total liabilities	5,590,230	8,610,395
Equity (Deficit)		
Share capital (Note 11)		
Common shares	125,540,108	108,788,385
Class “A” shares	37,927	37,927
Reserves (Note 11)	11,767,846	11,513,554
Deficit	(117,611,498)	(114,270,214)
	19,734,383	6,069,652
Non-controlling interest (Note 7)	(7,800,413)	(7,547,035)
	11,933,970	(1,477,383)
Total Liabilities and Equity	17,524,200	7,133,012
Nature of operations (Note 1)		
Commitments (Note 17)		
Subsequent events (Note 18)		

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 17, 2021. They are signed on behalf of the Board of Directors by:

/s/ Matthew Pierce	***/s/ Brian Tingle***
Director	Director

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

Versus Systems Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited - prepared by management)

	Three Months Ended March 31, 2021 ($)	Three Months Ended March 31, 2020 ($)
REVENUES		
Revenues	421	260
EXPENSES		
Amortization (Note 6)	83,942	83,665
Amortization of intangible assets (Note 8)	417,131	540,430
Consulting fees (Note 12)	108,295	189,501
Foreign exchange loss	(8,378)	214,374
Office and miscellaneous expenses	236,102	285,150
Interest expense	80,953	59,486
Interest expense on lease obligations (Note 17)	14,839	9,467
Professional fees (Note 11)	756,677	90,575
Salaries and wages (Note 10 and 12)	1,212,200	607,840
Sales and marketing	258,092	11,899
Software delivery costs	73,850	98,706
Share-based compensation (Note 11)	254,292	291,761
	(3,487,573)	(2,482,594)
Finance expense (Note 10)	(107,090)	(86,130)
Loss and comprehensive loss	(3,594,663)	(2,568,724)
Loss and comprehensive loss attributable to:		
Shareholders	(3,341,285)	(1,716,408)
Non-controlling interest	(253,378)	(852,316)
	(3,594,663)	(2,568,724)
Basic and diluted loss per common share attributable to Versus Systems Inc.	(0.31)	(0.20)
Weighted average common shares outstanding	10,733,586	8,775,671

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

Versus Systems Inc.
Condensed Interim Consolidated Statement of Changes in Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited - prepared by management)

	Number of Common Shares	Number of Class "A" Shares	Share Capital		Reserves	Deficit	Share subscriptions received	Equity	Non-controlling Interest	Total Equity (Deficit)
			Common Shares	Class "A" Shares						
			($)	($)	($)	($)	($)	($)	($)	($)
Balance at December 31, 2019	8,455,525	5,057	99,505,558	37,927	9,832,386	(106,521,638)	300,000	3,154,232	(6,024,450)	(2,870,218)
Shares issued in private placement	150,000	-	300,000	-	-	-	-	300,000	-	300,000
Share subscriptions received	-	-	300,000	-	-	-	(300,000)	-	-	-
Contribution benefit	-	-	-	-	85,332	-	-	85,332	-	85,332
Exercise of warrants	326,460	-	633,500	-	-	-	-	633,500	-	633,500
Stock-based compensation	-	-	-	-	291,761	-	-	291,761	-	291,761
Loss and comprehensive loss	-	-	-	-	-	(1,716,408)	-	(1,716,408)	(852,316)	(2,568,724)
Balance at March 31, 2020	8,931,985	5,057	100,739,058	37,927	10,209,479	(108,238,046)	-	2,748,417	(6,876,766)	(4,128,349)
Shares issued in private placement	797,532	-	3,028,899	-	55,210	-	-	3,084,109	-	3,084,109
Share subscriptions received	-	-	-	-	-	-	-	-	-	-
Contribution benefit	-	-	-	-	143,165	-	-	143,165	-	143,165
Exercise of warrants	729,683	-	3,949,593	-	-	-	-	3,949,593	-	3,949,593
Shares issued for services and investment	270,636	-	1,047,782	-	-	-	-	1,047,782	-	1,047,782
Exercise of options	3,750	-	23,053	-	(9,953)	-	-	13,100	-	13,100
Stock-based compensation	-	-	-	-	1,115,653	-	-	1,115,653	-	1,115,653
Loss and comprehensive loss	-	-	-	-	-	(6,032,167)	-	(6,032,167)	(670,269)	(6,702,436)
Balance at December 31, 2020	10,733,586	5,057	108,788,385	37,927	11,513,554	(114,270,214)	-	6,069,652	(7,547,035)	(1,477,383)
Shares issued in public offering	1,472,000	-	13,926,651	-	-	-	-	13,926,651	-	13,926,651
Share issuance costs	-	-	(2,004,112)	-	-	-	-	(2,004,112)	-	(2,004,112)
Shares issued in exchange for debt	215,341		2,044,378					2,044,378		2,044,378
Contribution benefit	-	-	-	-	-	-	-	-	-	-
Exercise of warrants	645,961	-	2,784,805	-	-	-	-	2,784,805	-	2,784,805
Exercise of options	22,674	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	254,292	-	-	254,292	-	254,292
Loss and comprehensive loss	-	-	-	-	-	(3,341,285)	-	(3,341,285)	(253,378)	(3,594,663)
Balance at March 31, 2021	13,089,562	5,057	125,540,108	37,927	11,767,846	(117,611,498)	-	19,734,383	(7,800,413)	11,933,970

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

Versus Systems Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited - prepared by management)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	($)	($)

CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(3,594,663)	(2,568,724)
Items not affecting cash:		
Amortization (Note 6)	2,748	6,188
Amortization of intangible assets (Note 8)	417,131	540,430
Amortization of right-of-use assets (Note 6)	83,942	77,477
Finance expense	-	86,130
Interest expense	121,929	68,953
Effect of foreign exchange	(8,291)	(10,800)
Forgiveness on government loan (Note 10)	-	-
Share-based compensation	254,292	291,761
Changes in non-cash working capital items:		
Receivables	496,637	28,331
Prepaids and deposits	(475,590)	12,584
Accounts payable and accrued liabilities	(627,710)	499,481
Cash used in operating activities	(3,329,575)	(968,189)
FINANCING ACTIVITIES		
Proceeds from notes payable	-	550,000
Repayment of notes payable	(364,500)	-
Proceeds from share issuances	13,926,651	300,000
Payments for lease liabilities	(98,753)	(91,676)
Proceeds from exercise of warrants	2,784,805	633,500
Payments of share issuance costs	(1,486,752)	-
Cash provided by financing activities	14,761,451	1,391,824
INVESTING ACTIVITIES		
Development of intangible assets	(373,862)	(508,217)
Cash used in investing activities	(373,862)	(508,217)
Change in cash during the period	11,058,014	(84,582)
Cash - Beginning of period	2,965,957	99,209
Cash - End of period	14,023,971	14,627
Supplemental Cash Flow Information (Note 16)		

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

VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
(Expressed in Canadian dollars)

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".

The Company is engaged in the technology sector and is developing a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players.

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 March 31, 2021, the Company has not achieved positive cash flow from operations and is not able to finance day to day activities through operations. During the three months ended March 31, 2021, the Company completed a public offering with total proceeds of approximately US$11 million. The Company estimates that it has adequate financial resources for the next twelve months. 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 consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

COVID-19 Pandemic

In March 2020 the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 17, 2021.

Basis of measurement

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

Functional and presentation currency

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

Basis of consolidation

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

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Versus Systems (Holdco) Inc.	United States of America	66.8%	Holding Company
Versus Systems UK, Ltd.	United Kingdom	66.8%	Sales Company
Versus LLC	United States of America	66.8%	Technology Company

VERSUS SYSTEMS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions

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

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

i) Deferred income taxes

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

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

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

iii) Valuation of share-based compensation

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

iv) Depreciation and Amortization

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

v) Determination of functional currency

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

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

vi) Revenue Recognition

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 6,964,198 (2020 – 4,671,713).

Property and Equipment

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

Asset	Rate
Computers	Straight line, 3 years
Right of use assets	Shorter of useful life or lease term

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instrument

The following table shows the classification of financial instruments:

Financial assets/liabilities	Classification IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Restricted deposit	Amortized cost
Deposit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

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

Derecognition

Financial assets

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

As at March 31, 2021, the Company does not have any derivative financial assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets excluding goodwill

Intangible assets acquired separately are carried at cost at the time of initial recognition. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. The Company's intangible asset is amortized on a straight-line basis over 3 years. In the year development costs are incurred, amortization is based on a half year.

Deferred Financing Costs

Deferred financing costs consist primarily of direct incremental costs related to the Company's public offering of its common stock, which was completed in January 2021. Upon completion of the Company's public offering any deferred cost was offset against the proceeds of the offering. The Company incurred $517,360 of deferred financing cost during the year ended December 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of intangible assets excluding goodwill

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) the intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Where a reasonable and consistent basis of allocation can be identified, corporate assets (assets other than goodwill that contribute to the future cash flows of both the CGU under review and other CGUs) are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Current Income Tax

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

Deferred income tax

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

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are

offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

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

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received; \

- any initial direct costs; and

- restoration costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

As a practical expedient, IFRS 16 permits a lease not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient, and accordingly allocates the consideration in the contract to lease and non-lease components based on the stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

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

Provisions

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

Government grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in profit or loss to offset the corresponding expenses on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Non-controlling interest

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of equity units issued in private placements

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

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

Share-based Compensation

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

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

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

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

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) development and maintenance of custom-built software or other professional services, or 2) the sale of advertising.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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.

As the Company's performance obligations are satisfied within 12 months, the Company has elected the practical expedients under IFRS 15, which allows the Company not to record any significant financing component as a result of financing any of its arrangements and not to capitalize cost incurred to obtain a contract.

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

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

Comprehensive Income (Loss)

(Expressed in Canadian dollars)

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

4. ACCOUNTS RECEIVABLE

As of March 31, 2021 accounts receivable consist of share subscription receivable ($67,266) and GST receivable ($39,966). As of December 31, 2020 accounts receivable consists of amounts due from one customer ($484,790), GST receivable ($29,080) and share subscription receivable ($90,000). There has been no provision for doubtful accounts for the years presented. During 2020, the Company entered into an Accounts Receivable Purchase and Security Agreement (the "Factor Agreement") with full recourse. Pursuant to the Factor Agreement, the factor advances funds to the Company for the right to collect cash flows from factored accounts receivable and charges fees for its services. The factor advances funds to the Company at 90% of accounts receivable factored. The outstanding balance bears a daily interest rate of 0.05%. As of December 31, 2020, 100% of the monies owed were collected by the Company and the factoring agent under the terms of the Factor Agreement. The Company expensed the fees and interest charged by the factoring agent as a loss on factoring within its financial statements, which totaled $50,306 during the twelve month period ended December 31, 2020.

5. RESTRICTED DEPOSIT

As at March 31, 2021, restricted deposits consisted of $11,497 (2020 - $11,497) held in a guaranteed investment certificate as collateral for a corporate credit card.

6. PROPERTY AND EQUIPMENT

	Computers	Right of Use Asset	Total
	($)	($)	($)
Cost			
At December 31, 2019	114,739	1,217,109	1,331,848
Additions	-	-	-
At December 31, 2020	114,739	1,217,109	1,331,848
Additions	-	-	-
At March 31, 2021	**114,739**	**1,217,109**	**1,331,848**
Accumulated amortization			
At December 31, 2019	86,324	296,526	382,850
Amortization for the year	24,062	298,998	323,060
At December 31, 2020	110,386	595,524	705,910
Amortization for the period	2,748	81,194	83,942
At March 31, 2021	**113,134**	**676,718**	**789,852**
Carrying amounts			
At December 31, 2020	4,353	621,585	625,938
At March 31, 2021	**1,605**	**540,391**	**541,996**

7. NON-CONTROLLING INTEREST IN VERSUS LLC

As of December 31, 2018, the Company held a 41.3% 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.

On May 21, 2019, the Company acquired an additional 25.2% interest in Versus LLC in exchange for 574,009 common shares of the Company and 287,005 share purchase warrants that are exercisable at $3.20 per share until June 30, 2019. The common shares and the share purchase warrants were determined to have a fair value of $1,882,749 and $156,389, respectively. As a result, the Company increased its ownership interest to 66.5% and recorded the excess purchase price over net identifiable liabilities of $4,644,719 against reserves. The effect on non-controlling interest was a reduction of $2,605,582.

On June 21, 2019, the Company acquired an additional 0.3% interest in Versus LLC in exchange for 2,825 common shares of the Company and 1,412 share purchase warrants that are exercisable at $3.20 per share until June 30, 2019. The common shares and the share purchase warrants were determined to have a fair value of $9,263 and $3,389, respectively. As a result, the Company increased its ownership interest to 66.8% and recorded the excess purchase price over net identifiable assets of $34,714 against reserves. The effect on non-controlling interest was a reduction of $22,061.

7. NON-CONTROLLING INTEREST IN VERSUS LLC (continued)

The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as of March 31, 2021 and December

(Expressed in Canadian dollars)

31, 2020:

Non-controlling interest percentage	2021 33.2%	2020 33.2%
	($)	($)
Assets		
Current	10,992,283	1,012,081
Non-current	2,857,014	2,974,249
	13,849,297	**3,986,330**
Liabilities		
Current	973,692	1,325,230
Non-current	39,674,272	22,510,724
	40,647,965	**23,835,954**
Net liabilities	**(26,798,668)**	**(19,849,624)**
Non-controlling interest	**(7,800,413)**	**(7,547,035)**
Loss and comprehensive loss	**(3,341,285)**	**(4,586,099)**
Loss and comprehensive loss attributed to non-controlling interest	**(253,378)**	**(1,522,585)**

8. INTANGIBLE ASSETS

Intangible assets are comprised of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. the Company continues to develop new apps, therefore additional costs were capitalized during the year ended December 31, 2020.

	Software ($)
Cost	
At December 31, 2019	11,737,067
Additions	1,183,528
At December 31, 2020	12,920,595
Additions	373,861
At March 31, 2021	**13,294,456**
Accumulated amortization	
At December 31, 2019	8,956,720
Amortization	1,706,972
At December 31, 2020	10,663,692
Amortization	417,130
At March 31, 2021	**11,080,822**
Carrying amounts	
At December 31, 2019	2,780,347
At December 31, 2020	2,256,903
At March 31, 2021	**2,213,634**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2021	December 31, 2020
	($)	($)
Accounts payable	516,642	716,177
Due to related parties	205,154	716,808
Accrued liabilities	545,316	461,840
	1,267,112	1,894,825

10. NOTES PAYABLE

During the three month period ended March 31, 2021, the Company exchanged 215,341 shares of common stock in exchange for a principal reduction of debt in the amount of $1,879,577 and $164,801 of accrued interest. In addition, the Company repaid $529,300 of principal. As at March 31, 2021, the Company had recorded $110,978 in accrued interest which was included in accounts payable and accrued liabilities.

During the year ended December 31, 2020, the Company issued unsecured notes payable for total proceeds of $1,261,254 from director and officers of the Company who are also shareholders. The loans bear interest at the prime rate which was 2.45% to 3.95% per annum at December 31, 2020, compounded annually and payable quarterly, and had a maturity date of three years from the date of issuance. The notes were considered below the Company's estimated market borrowing rate of 10% and as such, a contribution benefit of $228,497 was recorded in reserves. As of December 31, 2020, the Company had recorded $472,107 in accrued interest which was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2021, the Company recorded finance expense of $107,090 (2020 - $86,130), related to bringing the notes to their present value.

	Amount ($)
Balance at January 1, 2020	4,814,767
Proceeds	1,261,254
Repayments	(336,000)
Contribution benefit	(228,497)
Finance expense	371,061
Balance, December 31, 2020	5,882,585
Proceeds	-
Repayments	(2,408,878)
Contribution benefit	-
Finance expense	107,090
Balance, March 31, 2021	**3,580,797**
Current	**1,480,780**
Non-current	**2,100,017**

10. NOTES PAYABLE (continued)

In May 2020, the Company received loan proceeds in the aggregate amount of $829,937 (USD$610,247) under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act within the United States of America in response to the COVID-19 pandemic, provides for loans to qualifying businesses. A portion of the loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries. No collateral or guarantees were provided in connection with the PPP loans.

The unforgiven portion of the PPP loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first nine months. The Company used the proceeds for purposes consistent with the PPP. For the year ended December 31, 2020 the Company had incurred eligible payroll cost of $829,937 which were fully offset against the loan balance. Of the total loan balance, $228,269 was applied towards payroll cost capitalized as intangible assets during the year ended December 31, 2020.

11. SHARE CAPITAL AND RESERVES

a) Authorized share capital

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

b) Issued share capital

During the three month period ended March 31, 2021, the Company:

i) issued, 1,472,000 units at a price of USD $7.50 USD per unit per unit for total proceeds of USD $11,040,000. Each unit consisted of one common share, one Unit A warrant and one Unit B warrant, Unit A warrants allow the purchaser to purchase one common share at USD $7.50 per share until January 20, 2026. Unit B warrants allow the purchaser to purchase one common share at USD $7.50 per share until January 20, 2022. In connection with the offering, the Company incurred $2,004,112 in issuance costs as part of the transaction.

ii) issued, 668,635 common shares pursuant to exercise of 645,961 warrants and 22,674 stock options for total proceeds of $2,799,805.

iii) Issued, 215,341 units consisting of one share of common share and one Unit A warrant and one Unit B warrant in exchange for the forgiveness of $2,044,378 of debt and accrued interest.

During the year ended December 31, 2020, the Company:

i) issued, 150,000 units at a price of $4.00 per unit for total proceeds of $600,000. Each unit consisted of one common share and a one half share purchase warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until February 17, 2021.

ii) issued, 172,532 units at a price of $4.00 per unit for total proceeds of $690,125. Each unit consisted of one common share and one share purchase warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $6.40 until July 17, 2022.

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iii) issued, 625,000 units at a price of $4.00 per unit for total proceeds of $2,500,000. Each unit consisted of one common share and a one half share purchase warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until November 17, 2022

iv) entered into a Mutual Investment Agreement with Animoca Brands Inc. (Animoca) in which the Company issued 181,547 shares of the Company's common stock with a value of $698,557 in exchange for 4,327,431 shares of Animoca common stock. On the same date, the Company issued an additional 89,088 shares of the Company's common stock with a value of $349,225 to Animoca in exchange for services (included in professional fees). The Company subsequently sold all of its shares of Animoca and recognized a loss of $508,050.

v) issued, 1,058,993 common shares pursuant to exercise of 1,056,143 warrants and 3,750 stock options for total proceeds of $4,596,193.

Escrow

At March 31, 2021, 313 common shares (December 31, 2020 – 313) of the Company are held in escrow due to misplaced share certificates originally issued to three individual shareholders.

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.

c) Stock options (continued)

A continuity schedule of outstanding stock options is as follows:

	Number Outstanding	Weighted Average Exercise Price ($)
Balance – December 31, 2019	1,013,399	5.12
Granted	470,083	4.11
Exercised	(3,750)	3.49
Forfeited	(125,907)	6.04
Balance –December 31, 2020	1,353,825	4.70
Granted	-	-
Exercised	(60,000)	4.32
Forfeited	-	-
Balance – March 31, 2021	1,293,825	4.71

During the three months ended March 31, 2021, no stock options were granted by the Company. During the three months ended March 31, 2021, the Company recorded share-based compensation of $254,292 (March 31, 2020 - $291,761) relating to options vested during the year.

During the year ended December 31, 2020, 470,083 stock options were granted by the Company with a fair value of $1,216,228 (or $2.69 per option). During the year ended December 31, 2020, the Company recorded share-based compensation of $1,407,414 (December 31, 2019 - $826,360) relating to options vested during the year.

The Company used the following assumptions in calculating the fair value of stock options for the year ended December 31, 2020:

	December 31, 2020
Risk-free interest rate	0.26% - 0.37%
Expected life of options	2.0 – 5.0 years
Expected dividend yield	Nil
Volatility	79.44% - 87.79%

(Expressed in Canadian dollars)

11. SHARE CAPITAL AND RESERVES (continued)

c) Stock options (continued)

At March 31, 2021, the Company had incentive stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price ($)	Weighted Average Remaining Life (years)
July 13, 2021	265,147	260,576	4.32	0.28
March 17, 2022	13,063	13,063	6.96	0.96
May 18, 2022	5,750	5,750	7.84	1.13
July 31, 2022	171,114	114,075	4.00	1.33
September 14, 2022	74,156	74,156	5.52	1.45
November 19, 2022	12,500	1,042	6.00	1.63
June 6, 2023	14,063	9,668	7.36	2.18
September 4, 2023	12,813	6,807	4.00	2.43
April 2, 2024	107,500	58,750	3.36	3.01
June 27, 2024	6,250	6,250	3.36	3.24
July 24, 2024	148,344	24,725	4.00	3.32
September 27, 2024	312,500	117,969	6.00	3.49
October 22, 2024	12,500	6,094	5.28	3.56
July 24, 2025	113,125	27,084	4.00	4.32
August 10, 2025	12,500	3,646	4.00	4.36
November 19, 2024	12,500	2,083	6.00	3.64
	1,293,825	731,738	4.68	2.28

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants

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

	Number Outstanding	Weighted Average Exercise Price ($)
Balance – December 31, 2019	3,315,181	**5.28**
Exercised	(1,056,143)	2.40
Expired	(438,948	4.32
Issued	872,532	6.13
Balance – December 31, 2020	2,692,622	5.88
Exercised	(757,803)	5.51
Expired	(14,378)	4.73
Issued	3,374,682	9.68
Balance – March 31, 2021	5,295,123	8.23

During the three month period ended March 31, 2021, the Company:

i) On January 21, 2021 Company completed a public offering and issued 1,472,000 units at a price of USD $7.50 USD per unit per unit for total proceeds of USD $11,040,000. Each unit consisted of one common share, one Unit A warrant and one Unit B warrant, each to purchase one common share for a total of 2,944,00 warrants issued at USD $7.50 (CAD$9.68) per share until January 21, 2023.

ii) On January 21, 2021 the Company entered into a debt exchange agreement and exchanged 215,341 shares of common stock for the reduction of $2,044,378 of debt and accrued interest. As part of the agreement the Company also issued 215,341 Unit A warrants and 215,341 Unit B warrants issued at USD $7.50 (CAD $9.68) per share until January 21, 2023.

During the year ended December 31, 2020, the Company:

iii) On February 17, 2020, the Company, completed a unit private placement which included 75,000 share purchase warrants exercisable at $6.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

iv) On July 17, 2020, the Company, completed a unit private placement which included 172,532 share purchase warrants exercisable at $4.00 per share for a period of two years. The share purchase warrants were determined to have a fair value of $55,210 using the residual value method.

v) On November 17, 2020, the Company, completed a unit private placement which included. 625,000 share purchase warrants exercisable at $4.00 per share for a period of two years.

(Expressed in Canadian dollars)

11. SHARE CAPITAL AND RESERVES (continued)

d) Share purchase warrants (continued)

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

	December 31, 2020
Risk-free interest rate	1.77%
Expected life of options	2.0 years
Expected dividend yield	Nil
Volatility	107.14%
Weighted average fair value per warrant	$ 0.04

At March 31, 2021, the Company had share purchase warrants outstanding as follows:

Expiry Date	Warrants Outstanding	Exercise Price ($)	Weighted Average Remaining Life (years)
July 26, 2021	825,151	5.60	0.32
August 9, 2021	225,341	5.60	0.36
January 20, 2022	1,666,008	9.68	0.80
March 17, 2022	343,750	6.40	0.96
July 17, 2022	172,532	6.40	1.30
November 17, 2022	375,000	6.40	1.63
January 20, 2026	1,687,341	9.68	4.81
	5,295,123	8.23	2.07

11. SHARE CAPITAL AND RESERVES (continued)

e) Performance warrants

On September 30, 2016, the Company issued 625,250 performance warrants with a fair value of $1,725,496. These performance warrants vested during the year ended December 31, 2019.

At March 31, 2021, the Company had performance warrants outstanding as follows:

Expiry Date	Performance Warrants Outstanding	Performance Warrants Exercisable	Exercise Price ($)	Remaining Life (years)
June 30, 2021	375,250	375,250	4.00	0.25

12. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions, not disclosed elsewhere in these consolidated financial statements, during the three months ended March 31, 2021 and 2020. Key management personnel includes the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and certain directors and officers and companies controlled or significantly influenced by them.

Key Management Personnel	2021 ($)	2020 ($)
Short-term employee benefits paid or accrued to the CEO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	77,278	127,334
Short-term employee benefits paid or accrued to the CFO of the Company, including share-based compensation vested for incentive stock options and performance warrants.	85,425	87,477
Short-term employee benefits paid or accrued to a member of the advisory board of the Company, including share-based compensation vested for incentive stock options and performance warrants.	66,363	20,736
Short-term employee benefits paid or accrued to the Vice President of Engineering of the Company, including share-based compensation vested for incentive stock options and performance warrants.	93,775	99,046

(Expressed in Canadian dollars)

Short-term employee benefits paid or accrued to certain directors and officers of the company, including share-based compensation vested for incentive stock options and performance warrants.	105,842	73,793
Total	428,683	408,386

12. RELATED PARTY TRANSACTIONS (continued)

Other Related Party Payments

Office sharing and occupancy costs of $21,000 (2020 - $21,000) were paid or accrued to a corporation that shares management in common with the Company.

Amounts Outstanding

a) At March 31, 2021, a total of $205,154 (December 31, 2020 - $757,265) was included in accounts payable and accrued liabilities owing to officers, directors, or companies controlled by them. These amounts are unsecured and non-interest bearing.

b) At March 31, 2021, a total of $3,665,210 (December 31, 2020 - $6,220,254) of long term notes was payable to a director and the CEO of the Company (Note 9).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

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

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

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

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

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

The fair value of cash, receivables, accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments. The fair value of notes payable approximates its book value as it was discounted using a market rate of interest.

Credit risk

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

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

The Company's cash is invested in business accounts which are available on demand. The Company has raised additional capital during the three months ended March 31, 2021.

Interest rate risk

The Company's bank account earns interest income at variable rates and the notes payable bear interest at the prime lending rate. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. A 1% change in interest rates would have no significant impact on profit or loss for the three month period ended March 31, 2021.

(Expressed in Canadian dollars)

Foreign exchange risk

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

The Company was exposed to the following foreign currency risk as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(US$)	(US$)
Cash	10,992,283	86,800
Lease Obligations	(681,948)	(741,868)
Accounts payable and accrued liabilities	(714,782)	(1,092,402)
	9,595,553	(1,747,470)

As at March 31, 2021, with other variables unchanged, a +/- 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by $1,209,000 (December 31, 2020 - $220,000).

14. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. Capital consists of items within equity (deficiency). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The Company remains dependent on external financing to fund its activities. In order to sustain its operations, the Company will spend its existing cash on hand and raise additional amounts as needed until the business generates sufficient revenues to be self-sustaining. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to maximize ongoing corporate development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the three month period ended March 31, 2021.

15. GEOGRAPHICAL SEGMENTED INFORMATION

The Company is engaged in one business activity, being the development of a business-to-business software platform that allows video game publishers and developers to offer prize-based matches of their games to their players. Revenue earned during the year ended December 31, 2020 is from one customer based in the United States and receivables of $484,790 are due from that customer. No revenue was earned from the same customer for the three months ended March 31, 2021.

Details of identifiable assets by geographic segments are as follows:

	Restricted deposits	Deposits	Property and equipment	Intangible assets
March 31, 2021				
Canada	$ 11,497	$ -	$ 25,221	$ -
USA	-	126,605	516,775	2,234,549
	$ 11,497	$ 126,905	$ 541,996	$ 2,234,549
December 31, 2020				
Canada	$ 11,497	$ -	$ 44,316	$ -
USA	-	127,812	581,622	2,256,903
	$ 11,497	$ 127,812	$ 625,938	$ 2,256,903

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
	($)	($)
Non-cash investing and financing activities:		
Contribution benefit on low interest rate notes (Note 9)	-	85,332
		-
Interest paid during the year	-	
Income taxes paid during the year	-	-

(Expressed in Canadian dollars)

17. LEASE OBLIGATIONS AND COMMITMENTS

Lease Liabilities

	$
Lease liabilities recognized as of January 1, 2020	1,122,400
Lease payments made	(409,819)
Interest expense on lease liabilities	80,637
Foreign exchange adjustment	39,767
Lease liabilities recognized as of January 1, 2021	832,985
Lease payments made	(98,753)
Interest expense on lease liabilities	14,839
Foreign exchange adjustment	(6,750)
	742,321
Less: current portion	(249,290)
At March 31, 2021	493,031

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. In May of 2018, the Company extended the cost sharing arrangement to July of 2022 at a monthly fee of $7,000 plus GST per month.

Year	Amount ($)
2021 (remaining)	28,000

On September 6, 2017, the Company entered into a rental agreement for office space in Los Angeles, USA. Under the terms of the agreement the Company will pay US$17,324 per month commencing on October 1, 2017 until June 30, 2023.

Year	Amount (US$)
2021 (remaining)	189,970
2022	260,185
2023	131,576

18. SUBSEQUENT EVENTS

A) March 31, 2021 to May 17, 2021, the Company's warrant and option holders had exercised 188,304 warrants and options at an average exercise price of $4.04 per share for total proceeds of $760,743.

B)On May 12, 2021, the Company entered into a definitive agreement with Xcite Interactive to acquire 100% of Xcite's capital stock. The definitive agreement calls for the Company to purchase 100% of Xcite for USD $19 million in Versus stock less a net working capital adjustment and a $2.25M retention pool for Xcite employees. Xcite will be a wholly-owned subsidiary of Versus Systems.

3,353,349 Shares

VERSUS SYSTEMS INC.

, 2021

PART II—INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 6. Indemnification of directors and officers

Sections 159 to 164 of the BCBCA authorize companies to indemnify past and present directors, officers and certain other individuals for the liabilities incurred in connection with their services as such (including costs, expenses and settlement payments) unless such individual did not act honestly and in good faith with a view to the best interests of the company and, in the case of a criminal or administrative proceeding, if such individual did not have reasonable grounds for believing his or her conduct was lawful. In the case of a suit by or on behalf of the corporation, a court must approve the indemnification.

Our articles require us to indemnify directors and officers to the extent required by law.

We have entered into agreements with our directors and certain officers, or an Indemnitee, to indemnify the Indemnitee, to the fullest extent permitted by law and subject to certain limitations, against all liabilities, costs, charges and expenses reasonably incurred by an Indemnitee in an action or proceeding to which the Indemnitee was made a party by reason of the Indemnitee being an officer or director of (i) our company or (ii) an organization of which we are a shareholder or creditor if the Indemnitee serves such organization at our request.

We maintain insurance policies relating to certain liabilities that our directors and officers may incur in such capacity.

Item 7. Recent sales of unregistered securities

During the past three years, we have issued securities in the following transactions, each of which was exempt from the registration requirements of the Securities Act. Except for the common shares that were issued upon the exercise of our warrants, all of the below-referenced securities were issued pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act and are deemed to be restricted securities for purposes of the Securities Act. There were no underwriters or placement agents employed in connection with any of these transactions. Use of the exemption provided in Section 4(a)(2) for transactions not involving a public offering is based on the following facts:

- Neither we nor any person acting on our behalf solicited any offer to buy or sell securities by any form of general solicitation or advertising.
- The recipients were either accredited or otherwise sophisticated individuals who had such knowledge and experience in business matters that they were capable of evaluating the merits and risks of the prospective investment in our securities.
- The recipients had access to business and financial information concerning our company.
- All securities issued were issued with a restrictive legend and may only be disposed of pursuant to an effective registration or exemption from registration in compliance with federal and state securities laws.

The common shares that were issued upon the exercise of our warrants were issued pursuant to the exemption from registration under Section 3(a)(9) of the Securities Act and are deemed to be restricted securities for purposes of the Securities Act.

The number of common shares issued or issuable in each transaction, and the price per common share in each transaction, has been adjusted to give effect to the one-for-16 reverse share split of the common shares to be effected on December 15, 2020.

Units and Common Shares Issuances

2021

During the three month period ending March 31, 2021, we:

i) Issued, 162,394 common shares pursuant to the cashless exercise of warrants and stock options for total proceeds of $0.

2020

During the year ending December 31, 2020, we:

i) Issued, 150,000 units at a price of $4.00 per unit for total proceeds of $600,000. Each unit consisted of one common share and a one half share purchase warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $6.40 until February 13, 2021.

ii) entered into a Mutual Investment Agreement with Animoca Brands Inc. in which we issued 189,797 common shares with a value of $698,446 in exchange for 4,327,431 shares of Animoca Brands common stock. On the same date, we issued an additional 80,839 common shares with a value of $349,225 to Animoca Brands in exchange for marketing services. We subsequently sold all of our shares of Animoca Brands and recognized a loss of $508,050.

iii) issued, 927,149 common shares pursuant to the exercise of warrants and stock options for total proceeds of $4,184,572.

iv) issued, 172,532 units at a price of $4.00 per unit for total proceeds of $690,125.

v) issued, 625,000 units at a price of $4.00 per unit for total proceeds of $2,500,000. Each unit consisted of one common share and one share purchase warrant wherein each whole warrant entitles the holder to purchase one common share at a price of $6.40 until November 17, 2023.

2019

During the year ended December 31, 2019, we:

i) issued, 624,228 units pursuant to a private placement at a price of $2.88 per unit for total proceeds of $1,797,778. Each unit consisted of one common share and one common share warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $4.80 until February 14, 2021.

ii) issued, 1,094,844 units pursuant to a private placement at a price of $3.20 per unit for total proceeds of $3,503,500. Each unit consisted of one common share and a one common share warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $5.60 until July 26, 2021.

iii) issued, 284,091 units at a price of $3.52 per unit for total proceeds of $1,000,000. Each unit consisted of one common share and one common share warrant for each share purchased. Each warrant entitles the holder to purchase one additional common share at a price of $5.60 until August 9, 2021.

iv) issued 576,834 common shares at a value of $1,892,012 on acquisition of Opal Energy (Holdco) Corp.

v) issued 158,115 common shares pursuant to the exercise of share purchase warrants and stock options for total proceeds of $425,417.

2018

During the year ended December 31, 2018, we:

i) issued, 766,229 units at a price of $4.80 per unit for total proceeds of $3,677,900. Each unit consisted of one common share and a one half common share warrant for each share purchased. Each whole warrant entitles the holder to purchase one additional common share at a price of $6.40 until April 12, 2020. A residual value of $78,957 was allocated to the warrants.

ii) issued 154,990 common shares pursuant to the exercise of share purchase warrants for total proceeds of $384,000.

Warrants Issuances

2021

During the quarter ending March 31, 2021, we issued certain number of warrants as listed below:

i) On January 20, 2021, in connection with the Public Offering, we entered into an agreement with Lake Street Capital Markets, LLC, the underwriter in the Public Offering, and the Selling Shareholder pursuant to which we sold to the Underwriter an additional 192,000 Unit A Warrants and 192,000 Unit B Warrants in a private placement, for aggregate consideration of $20,000, subject to the terms and conditions set forth in the Purchase Agreement. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

2020

During the year ending December 31, 2020, we issued certain number of warrants as listed below:

i) On February 13, 2020, we completed a unit private placement which included 75,000 share purchase warrants exercisable at $6.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

ii) On November 17, 2020, we completed a unit private placement which included 625,000 share purchase warrants exercisable at $4.00 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual value method.

2019

During the year ended December 31, 2019, we issued certain number of warrants as listed below:

i) On February 14, 2019, we completed a unit private placement which included 624,228 share purchase warrants exercisable at $4.80 per share for a period of two years. The share purchase warrants were determined to have a fair value of $199,753 using the residual value method.

ii) On February 14, 2019, we completed a unit private placement which included 43,696 broker warrants exercisable at $2.88 per share for a period of two years. The share purchase warrants were determined to have a fair value of $61,843 using the Black Scholes option pricing model.

iii) On July 26, 2019, we completed a unit private placement which included 1,094,849 share purchase warrants exercisable at $5.60 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual method.

iv) On July 26, 2019, we issued 14,088 agent warrants exercisable to purchase additional shares at a price of $5.60 per share for a period of 24 months from closing. The agent warrants were determined to have a fair value of $20,985.

v) On August 9, 2019, we completed a unit private placement which included 284,093 share purchase warrants exercisable at $5.60 per share for a period of two years. The share purchase warrants were determined to have a fair value of $Nil using the residual method.

vi) During 2019, we issued 288,417 warrants at a value of $159,778 for the acquisition of the shares of Opal Energy (Holdco) Corp.

2018

During the year ended December 31, 2018, we issued certain number of warrants as listed below:

i) On March 29, 2018 and April 12, 2018, we completed a unit private placement which included 383,115 share purchase warrants exercisable at $6.40 per share for a period of two years. The share purchase warrants were determined to have a fair value of $140,531 using the residual value method.

ii) On March 29, 2018 and April 12, 2018, we completed a unit private placement which included 44,460 brokers' warrants exercisable at $4.80 per share for a period of two years. The broker warrants were determined to have a fair value of $116,226 using the Black Scholes option pricing model.

Notes Issuances

2021

During the three month period ended March 31, 2021, the Company exchanged 215,341 shares of common stock in exchange for a principal reduction of debt in the amount of $1,879,577 and $164,801 of accrued interest. In addition, the Company repaid $529,300 of principal. As at March 31, 2021, the Company had recorded $110,978 in accrued interest which was included in accounts payable and accrued liabilities.

2020

During the year ended December 31, 2020, we issued unsecured notes payable for total proceeds of CDN$1,258,307 from our directors and officers who are also shareholders. The loans bear interest at the prime rate which was 2.45% per annum for the nine months ended September 30, 2020, compounded annually and payable quarterly, and had a maturity date of three years from the date of issuance. As at September 30, 2020, we had recorded $417,553 in accrued interest which was included in accounts payable and accrued liabilities.

2019

During the year ended December 31, 2019, we issued unsecured notes payable for total proceeds of CDN$2,633,667 from director and officers of the Company who are also a shareholders. The loans bear interest at the prime rate which was 3.95% per annum at December 31, 2019, compounded annually and payable quarterly, and had a maturity date of three years from the date of issuance. As at December 31, 2019, the Company had recorded $249,496 in accrued interest which was included in accounts payable and accrued liabilities.

2018

During the year ended December 31, 2018, we issued unsecured notes payable for total proceeds of CDN$2,780,000 from one of our directors who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance.

During the year ended December 31, 2018, we issued unsecured notes payable for total proceeds of US$230,000 from a director and officer of our company who is also a shareholder. The loans bear interest at prime rate compounded annually and payable quarterly, and have a maturity date of three years from the date of issuance.

Item 8. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this registration statement:

EXHIBIT INDEX

The following documents are filed as part of this registration statement:

Exhibit Number	Exhibit Description	Incorporation by Reference		
		Form	Filing Date	Exhibit Number
1.1	Form of Underwriting Agreement	F-1/A	12/14/2020	1.1
3.1	Notice of Articles of Versus Systems Inc.	F-1	11/20/2020	3.1
3.2	Articles of Versus Systems Inc.	F-1	11/20/2020	3.1
4.1	Specimen Stock Certificate evidencing common shares.	F-1/A	1/11/2021	4.1
4.2	Warrant Agent Agreement dated January 20, 2021 between Versus System Inc. and Computershare, including forms of Unit A Warrants and Unit B Warrants.	6-K	1/21/2021	99.2
4.3	Representative Warrant Agreement dated January 20, 2021.	F-1/A	12/14/2020	4.3
5.1	Opinion of Fasken Martineau DuMoulin, LLP.		*	
10.1	Form of Loan Agreement, including form of promissory note, between Versus Systems Inc. and Brian Tingle.	F-1	11/20/2020	10.1
10.2	Form of Loan Agreement, including form of promissory note, between Versus Systems Inc. and The Sandoval Pierce Family Trust Established May 20, 2015.	F-1	11/20/2020	10.2
10.3	Employment Agreement dated as of June 30, 2016 among Versus Systems Inc. (formerly Opal Energy Corp.), Matthew D. Pierce and Versus LLC.	F-1	11/20/2020	10.3

10.4	Employment Agreement dated as of May 1, 2019 among Versus Systems Inc., Craig C. Finster and Versus LLC.	F-1	11/20/2020	10.4
10.5	Employment Agreement dated as of May 1, 2020 among Versus Systems Inc., Keyvan Peymani and Versus LLC.	F-1	11/20/2020	10.5
10.6	Form of Warrant of Versus Systems Inc.	F-1	11/20/2020	10.6
10.7	Versus Systems Inc. 2017 Stock Option Plan.	F-1	11/20/2020	10.7
10.8	Acquisition Agreement dated as of March 16, 2016 among Versus Systems Inc. (formerly Opal Energy Corp.), Versus Systems (Holdco) Corp. (formerly Opal Energy (Holdco) Corp.), Versus LLC and the selling members of Versus LLC	F-1	11/20/2020	10.8
10.9#	Software License, Marketing and Linking Agreement dated as of March 6, 2019 between HP Inc. and Versus LLC.	F-1	11/20/2020	10.9
10.10	Agreement and Plan of Merger among Versus Systems Inc., Wonkavision Merger Sub Inc., Xcite Interactive, Inc. and Front Range Ventures, LLC, dated May 11, 2021.		*	

		Incorporation by Reference		
Exhibit Number	**Exhibit Description**	**Form**	**Filing Date**	**Exhibit Number**
14.1	Code of Conduct and Ethics.	F-1/A	1/11/2021	14.1
21.1	List of Subsidiaries of Versus Systems Inc.	F-1	11/20/2020	21.1
23.1	Consent of Davidson & Company LLP		*	
23.2	Consent of Faskin Martineau DuMoulin, LLP (included in Exhibit 5.1)		*	
24.1	Power of Attorney (included on signature page).			
99.1	Charter of the Audit Committee.	F-1/A	1/11/2021	99.1
99.2	Charter of the Compensation Committee.	F-1/A	1/11/2021	99.2
99.3	Charter of the Nominating and Corporate Governance Committee.	F-1/A	1/11/2021	99.3

* Filed herewith.

\# Portions of this exhibit have been redacted in compliance with Item 601(b)(10) of Regulation S-K. Schedules, exhibits and similar supporting attachments to this exhibit are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish a supplemental copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

Item 9. Undertakings

The undersigned hereby undertakes:

To provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the

requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Vancouver, British Columbia on May 28, 2021.

VERSUS SYSTEMS INC.

By: /s/ Matthew Pierce
Name: Matthew Pierce
Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/ Matthew Pierce Matthew Pierce	Director and Chief Executive Officer (principal executive officer)	May 28, 2021
/s/ Craig Finster Craig Finster	President and Chief Financial Officer (principal financial officer and principal accounting officer)	May 28, 2021
/s/ * Keyvan Peymani	Director	May 28, 2021
/s/ * Brian Tingle	Director	May 28, 2021
/s/ * Michelle Gahagan	Director	May 28, 2021
/s/ * Paul Vlasic	Director	May 28, 2021
/s/ Jennifer Prince Jennifer Prince	Director	May 28, 2021

* By: /s/ Matthew Pierce
Matthew Pierce
Attorney-in-fact

Signature of Authorized U.S. Representative of Registrant

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Versus Systems Inc. has signed this registration statement on May 28, 2021.

By: /s/ Matthew Pierce
Name: Matthew Pierce
Title: Chief Executive Officer

Exhibit 5.1

FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
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fasken.com

May 28, 2021

Versus Systems Inc.
1558 West Hastings Street
Vancouver BC V6G 3J4 Canada

Re: Versus Systems Inc.

Ladies and Gentlemen:

We have acted as counsel to you, Versus Systems Inc., a British Columbia corporation (the "Company"), in connection with the Company's Post-Effective Amendment No. 1 to its Registration Statement on Form F-1 filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act") on the date hereof (the "Post-Effective Amendment") with respect to the registration of the proposed offer and sale of 3,353,349 common shares of the Company, no par value (the "Common Shares"), issuable upon exercise of outstanding warrants described in the Post-Effective Amendment (the "Warrants"). This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with this opinion, we have examined and relied upon (a) the Post-Effective Amendment, (b) the Company's Certificate of Amalgamation, Certificate of Name Change, Notice of Articles and Articles, as currently in effect, and (c) originals or copies certified to our satisfaction of such records, documents, certificates, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. We have assumed the genuineness and authenticity of all documents submitted to us as originals, and the conformity to originals of all documents submitted to us as copies where due execution and delivery are a prerequisite to the effectiveness thereof. As to certain factual matters, we have relied upon a certificate of officers of the Company and have not sought to independently verify such matters.

Our opinion is expressed only with respect to the laws of the Province of British Columbia. We express no opinion as to whether the laws of any particular jurisdiction other than those identified above are applicable to the subject matter hereof. We assume no obligation to revise or supplement this opinion should any applicable laws be changed subsequent to the date hereof by legislative action, judicial decision or otherwise or if there is a change in any fact or facts after the date hereof. Where our opinion refers to the Common Shares as being "fully paid and non-assessable," no opinion is expressed as to actual receipt by the Company of the consideration for the issuance of such shares or as to the adequacy of any consideration received.

On the basis of the foregoing, and in reliance thereon, we are of the opinion as of the date hereof that the Common Shares, when issued in accordance with the terms of the Warrants, as set forth in the Post-Effective Amendment, will be duly authorized and if, as and when issued in accordance with the terms of the Warrants, the Common Shares will be validly issued, fully paid and non-assessable.

We consent to the reference to our firm under the caption "Legal Matters" in the Post-Effective Amendment and the filing of this opinion as an exhibit to the Post-Effective Amendment.

Yours truly,

/s/ Fasken Martineau DuMoulin LLP

Exhibit 10.10

Execution Version

AGREEMENT AND PLAN OF MERGER

among

Versus Systems Inc.,
a British Columbia corporation,
Wonkavision Merger Sub Inc.,
a Delaware corporation,
Xcite Interactive, Inc.,
a Delaware corporation,
and
Front Range Ventures, LLC,
as the Stockholders' Agent

Dated May 11, 2021

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Agreement and Plan of Merger

This Agreement and Plan of Merger (this "***Agreement***") is made and entered into as of May 10, 2021 (the "***Agreement Date***"), among Versus Systems Inc., a British Columbia corporation ("***Acquirer***"), Wonkavision Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Acquirer ("***Merger Sub***"), Xcite Interactive, Inc., a Delaware corporation (the "***Company***"), and Front Range Ventures, LLC, a Colorado limited liability company, as the stockholders' agent (the "***Stockholders' Agent***"). Certain other terms used herein are defined in Exhibit A.

Recitals

A. Acquirer, Merger Sub and the Company intend to effect a merger of Merger Sub with and into the Company, pursuant to which the Company would survive and become a wholly owned subsidiary of Acquirer (the "***Merger***") in accordance with this Agreement and the DGCL.

B. The board of directors of the Company (the "***Board***") has carefully considered the terms of this Agreement and has unanimously (1) declared this Agreement and the transactions contemplated by this Agreement and the documents referenced herein, including the Merger (collectively, the "***Transactions***"), upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and the Company Stockholders, (2) approved this Agreement in accordance with Applicable Law and (3) adopted a resolution directing that the adoption of this Agreement be submitted to the Company Stockholders for consideration and recommending that all of the Company Stockholders adopt this Agreement and approve the Merger.

C. Concurrently with the execution of this Agreement, and as a condition and inducement to Acquirer's and Merger Sub's willingness to enter into this Agreement, each of the individuals set forth on Exhibit B (each, a "***Key Employee***") has executed and delivered to Acquirer (1) an employment offer letter, which shall include a release of any claims against the Company by such individual and the termination of such Key Employee's existing employment agreement with the Company, together with a confidential information and invention assignment agreement, each in the form acceptable to Acquirer (together, an " ***Key Employee Offer Letter***"), (2) a non-competition and non-solicitation agreement in substantially the form attached hereto as Exhibit C (a "***Non-Competition Agreement***") and (3) a vesting agreement in substantially the form attached hereto as Exhibit D (a "***Vesting Agreement***" and together with the Key Employee Offer Letter and Non-Competition Agreement, the "***Key Employee Documents***") with respect to the vesting requirements of the shares of Acquirer Common Stock such individual would receive pursuant to Section 1.3(a) of this Agreement, each to become effective upon the Closing.

Now, Therefore, the parties agree as follows:

ARTICLE I
The Merger

1.1 The Merger.

(a) Merger. Upon the terms and subject to the conditions set forth herein, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall cease and the Company shall become a wholly owned subsidiary of Acquirer (sometimes referred to herein as the "***Surviving Corporation***").

(b) Effects of the Merger. The Merger shall have the effects set forth herein and in the applicable provisions of the DGCL.

(c) Closing. Upon the terms and subject to the conditions set forth herein, the closing of the Transactions (the "***Closing***") shall take place remotely by electronic exchange of documents and signatures, unless otherwise agreed by Acquirer and the Company, on the third Business Day following the satisfaction or waiver of the conditions set forth in Article V (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions); provided that if such Business Day would otherwise occur anytime during the final 10 Business Days of a fiscal quarter of Acquirer, then Acquirer may, in its sole discretion, delay the Closing until the first Business Day in the next fiscal quarter of Acquirer, subject to the continued satisfaction or waiver of the conditions set forth in Article V. The date on which the Closing occurs is sometimes referred to herein as the "***Closing Date***."

(d) Effective Time. A certificate of merger satisfying the applicable requirements of the DGCL, in substantially the form attached hereto as Exhibit F (the "***Certificate of Merger***"), shall be duly executed by the Company and, concurrently with or as soon as practicable following the Closing, delivered to the Secretary of State of the State of Delaware for filing. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as Acquirer and the Company agree and specify in the Certificate of Merger (the "***Effective Time***").

(e) Certificate of Incorporation and Bylaws; Directors and Officers. Unless otherwise determined by Acquirer and the Company prior to the Effective Time:

(i) the certificate of incorporation of Merger Sub as in effect immediately prior to the Effective Time shall, by virtue of the Merger and without any further action, be the certificate of incorporation of the Surviving Corporation, until thereafter amended as provided by the DGCL;

(ii) the Company shall take all actions necessary to cause the bylaws of the Company to be amended and restated as of the Effective Time to be identical (other than as to name) to the bylaws of Merger Sub as in effect immediately prior to the Effective Time; and

(iii) the Company shall take all actions necessary to cause the directors and officers of Merger Sub immediately prior to the Effective Time to be the

only directors and officers of the Surviving Corporation immediately after the Effective Time until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

1.2 Closing Deliveries.

(a) Company Deliveries. The Company shall deliver to Acquirer, at or prior to the Closing:

(i) a certificate, dated as of the Closing Date and executed on behalf of the Company by an officer, certifying (A) the certificate of incorporation of the Company (the "***Certificate of Incorporation***") in effect as of the Closing, (B) the bylaws of the Company (the "***Bylaws***") in effect as of the Closing, (C) the resolutions of the Board (I) declaring this Agreement and the Transactions, upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and the Company Stockholders, (II) approving this Agreement in accordance with the DGCL and (III) directing that the adoption of this Agreement be submitted to the Company Stockholders for consideration and recommending that all of the Company Stockholders adopt this Agreement and approve the Merger and (D) the resolutions of the Company Stockholders adopting this Agreement and approving the Merger;

(ii) a Written Consent and Release executed by each Company Securityholder;

(iii) a resignation letter reasonably satisfactory to Acquirer executed by each director and officer of the Company in office immediately prior to the Closing, in each case, effective as of, and contingent upon, the Effective Time;

(iv) a certificate from the Secretary of State of the State of Delaware and each of the other states or other jurisdictions in which the Company is qualified to do business as a foreign corporation, dated within ten Business Days prior to the Closing Date, certifying that the Company is in good standing;

(v) evidence reasonably satisfactory to Acquirer of the termination or waiver of any rights of first refusal, rights to any liquidation preference, redemption rights, conversion rights and rights of notice of any Company Stockholder with respect to any of the Transactions, effective as of, and contingent upon the Closing;

(vi) the Spreadsheet in a form reasonably satisfactory to Acquirer and a certificate executed by the Chief Executive Officer of the Company, dated as of the Closing Date, certifying on behalf of the Company that the Spreadsheet is true, correct and complete;

(vii) the Company Closing Financial Certificate;

(viii) the Certificate of Merger, executed by the Company;

(ix) payoff letters or similar instruments in form and substance reasonably satisfactory to Acquirer with respect to all Company Debt for borrowed money, which letters provide for the release of all Encumbrances relating to such Company Debt following satisfaction of the terms contained in such payoff letters (including the payment in full and discharge of all principal and accrued but unpaid interest and any premiums or other fees payable in connection with such Company Debt);

(x) prior to the solicitation of the Company Stockholder vote described under Section 4.9, a parachute payment waiver, in substantially the form attached hereto as Exhibit G (the "***Parachute Payment Waiver***"), executed by each Person listed on Schedule 2.12(y) of the Company Disclosure Letter who would receive a parachute payment;

(xi) a duly executed amendment to the Convertible Note providing for the treatment of the Convertible Note contemplated pursuant to Section 1.3(a)(iii);

(xii) an offer letter, employee invention and confidentiality agreement, arbitration agreement and confidential information and non-disclosure agreement in substantially the form identified by Acquirer for such Person (collectively, the "***Continuing Employee Offer Letters***" and, together with the Key Employee Offer Letters, the "***Offer Letters***") for the benefit of the Person identified by Acquirer, and to be effective at the Closing, signed by all of the Company'semployees who will continue to be employed by the Company after Closing;

(xiii) evidence reasonably satisfactory to Acquirer of the Company's completion of the actions set forth inExhibit H (the "***Required Actions***"); and

(xiv) consulting agreements, in substantially the form identified by Acquirer, executed by the Persons set forth onExhibit I.

Receipt by Acquirer of any of the agreements, instruments, certificates or documents delivered pursuant to this Section 1.2(a) shall not be deemed to be an agreement by Acquirer or Merger Sub that the information or statements contained therein are true, correct or complete, and shall not diminish Acquirer's or Merger Sub's remedies hereunder if any of the foregoing agreements, instruments, certificates or documents are not true, correct or complete.

(b) Acquirer and Merger Sub Deliverables. Acquirer and Merger Sub shall deliver to the Company and Stockholders' Agent at or prior to the Closing:

(i) a certificate, dated as of the Closing Date and executed on behalf of the Acquirer by an officer, certifying the resolutions of the board of directors of Acquirer approving this Agreement and the Transactions;

(ii) a certificate, dated as of the Closing Date and executed on behalf of Merger Sub by an officer, certifying (A) the certificate of incorporation of the Merger Sub in effect as of the Closing, (B) the bylaws of the Merger Sub in effect as of the Closing and (C) the resolutions of the board of directors of Merger Sub (I) declaring this Agreement and the Transactions, upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of Merger Sub and its sole stockholder, (II) approving this Agreement in accordance with the DGCL and (III) directing that the adoption of this Agreement be submitted to its sole stockholder for consideration and recommending that its sole stockholder adopt this Agreement and approve the Merger and (D) the resolutions of Acquirer as the sole stockholder of Merger Sub adopting this Agreement and approving the Merger;

(iii) a certificate from the Secretary of State of British Columbia, dated within ten Business Days prior to the Closing Date, certifying that Acquirer is in good standing; and

(iv) a certificate from the Secretary of State of the State of Delaware, dated within ten Business Days prior to the Closing Date, certifying that Merger Sub is in good standing.

1.3 Effect on Company Securities.

(a) Treatment of Company Capital Stock and Company Warrants. Upon the terms and subject to the conditions set forth herein, at the Effective Time, by virtue of the Merger and without any action on the part of any party hereto, Company Stockholder or any other Person:

(i) Treatment of Company Capital Stock. Each share of Company Capital Stock held by a Converting Holder immediately prior to the Effective Time (other than Dissenting Shares and shares that are owned by the Company as treasury stock) shall be cancelled and automatically converted into the right to receive, subject to and in accordance with Section 1.4 and the terms of any Vesting Agreement to which such Converting Holder is a party, a number of shares of Acquirer Common Stock equal to the quotient of (x) the Per Share Consideration, divided by (y) the Acquirer Stock Price.

(ii) Treatment of Company Warrants. Each Company Warrant that is outstanding immediately prior to the Effective Time shall be exercised or cancelled and if exercised shall be automatically converted into the right to receive, upon the basis and upon the terms and conditions specified in such Company Warrant and in lieu of the Company Capital Stock immediately purchasable and receivable upon the exercise of the rights represented thereby and subject to and in accordance with Section 1.4 and the terms of any Vesting Agreement to which such Converting Holder is a party, a number of shares of Acquirer Common Stock equal to the quotient of (x) the number of shares of Company Common Stock subject to such Company Warrant multiplied by (y) the excess, if any, of the Per Share Consideration over the exercise price payable per share of Company Common Stock under such Company Warrant, divided by (z) the Acquirer Stock Price.

(iii) Treatment of Convertible Note. The Company and Acquirer will take all necessary action to execute and deliver an amendment, prior to the Effective Time, with respect to the Convertible Note to provide, among other things, that immediately prior to the Effective Time, the principal amount (and any accrued interest) under the Convertible Note shall be automatically converted into (A) a number of shares of Company Common Stock at the Note Conversion Price (as defined therein) and (B) the right to receive a customary warrant exercisable into a number of shares of Acquirer Common Stock (rounded down to the nearest whole share) equal to the quotient of (x) 50% of the principal amount (and any accrued interest) of the Convertible Note, divided by (y) the Acquirer Stock Price, with an exercise price payable per share of Acquirer Common Stock issuable under such warrant equal to the Acquirer Stock Price . Notwithstanding the foregoing, the Company will not make any change to the terms of the Convertible Note without the prior written consent of Acquirer.

(b) Treatment of Company Capital Stock Owned by the Company. At the Effective Time, all shares of Company Capital Stock that are owned by the Company as treasury stock immediately prior to the Effective Time shall be cancelled and extinguished without any conversion thereof or payment of any cash or other property or consideration therefor and shall cease to exist.

(c) Treatment of Merger Sub Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Acquirer, Merger Sub or any other Person, each share of capital stock of Merger Sub that is issued and outstanding immediately prior to the Effective Time shall be converted into and become one share of common stock of the Surviving Corporation (and the shares of the Surviving Corporation into which the shares of Merger Sub capital stock are so converted shall be the only shares of the Surviving Corporation's capital stock that are issued and outstanding immediately after the Effective Time). From and after the Effective Time, each certificate evidencing ownership of a number of shares of Merger Sub capital stock will evidence ownership of such number of shares of common stock of the Surviving Corporation.

(d) Appraisal Rights. Notwithstanding anything to the contrary contained herein, any Dissenting Shares shall not be converted into the right to receive the applicable portion of the Total Merger Consideration, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to any such Dissenting Shares pursuant to the DGCL. Each holder of Dissenting Shares who, pursuant to the DGCL, becomes entitled to payment thereunder for such shares shall receive payment therefor in accordance with the DGCL (but only after the value therefor shall have been agreed upon or finally determined pursuant to such provisions). If, after the Effective Time, any Dissenting Shares shall lose their status as Dissenting Shares, then any such shares shall immediately be deemed to have converted at the Effective Time into the right to receive the applicable portion of the Total Merger Consideration in respect of such shares as if such shares never had been Dissenting Shares, and Acquirer shall issue and deliver to the holder thereof, at (or as promptly as reasonably practicable after) the applicable time or times specified in Section 1.4(a), following the satisfaction of the applicable conditions set forth in Section 1.4(a), the applicable portion of the Total Merger Consideration as if such shares never had been Dissenting Shares. The Company shall provide to Acquirer (i) prompt notice of any demands for appraisal or purchase received by the Company, withdrawals of such demands and any other instruments related to such demands served pursuant to the DGCL and received by the Company and (ii) the right to direct all negotiations and proceedings on behalf of the Company with respect to such demands under the DGCL. The Company shall not, except with the prior written consent of Acquirer, which consent shall not be unreasonably withheld, conditioned, or delayed, or as otherwise required under the DGCL, voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand in respect of any Dissenting Shares. Subject to Section 6.2, the payout of consideration under this Agreement to the Converting Holders (other than in respect of Dissenting Shares, which shall be treated as provided in this Section 1.3(d) and under the DGCL) shall not be affected by the exercise or potential exercise of dissenters' rights under the DGCL by any other Company Stockholder. After Closing, the Acquirer shall consult with and keep the Stockholders' Agent updated on the status of any appraisal matters.

(e) No Fractional Shares. No fractional shares of Acquirer Common Stock shall be issued in connection with the Merger. The number of shares of Acquirer Common Stock each Converting Holder is entitled to receive pursuant to Section 1.3 shall be rounded up to the nearest whole share and computed after aggregating all shares of Company Capital Stock and Company Warrants held by such Company Stockholder.

(f) Rights Not Transferable. The rights of the Company Stockholders under this Agreement as of immediately prior to the Effective Time are personal to each such Company Stockholders and shall not be transferable for any reason, other than by operation of law, will or the laws of descent and distribution without action taken by or on behalf of such Company Stockholders. Any attempted transfer of such right by any holder thereof (other than as permitted by the immediately preceding sentence) shall be null and void.

(g) No Interest. Notwithstanding anything to the contrary contained herein, no interest shall accumulate on any cash payable in connection with the consummation of the Transactions.

1.4 Payment Procedures.

(a) Delivery of Closing Consideration.

(i) As soon as reasonably practicable after the Closing, to the extent not previously delivered as part of the Written Consent and Release, each Company Securityholder shall deliver a Form W-9 (or an applicable Form W-8) to Acquirer.

(ii) Upon receipt of written confirmation of the effectiveness of the Merger from the Secretary of State of the State of Delaware and following receipt of an executed Form W-9 (or an applicable Form W-8) from a Company Securityholder, Acquirer will (A) issue to such Converting Holder the shares of Acquirer Common Stock and cash issuable to such Converting Holder pursuant to Section 1.3(a)(i), less a number of shares of Acquirer Common Stock and cash equal to such Converting Holder's Pro Rata Share of the Holdback Amount, in each case other than in respect of Dissenting Shares to holders thereof, (B) issue to such holder of Company Warrants the shares of Acquirer Common Stock and cash issuable to such holder pursuant to Section 1.3(a)(ii), less a number of shares of Acquirer Common Stock and cash equal to such Converting Holder's Pro Rata Share of the Holdback Amount, and (C) issue to holder of the Convertible Note, the Acquirer warrants described in Section 1.3(a)(iii). The deliveries and issuances required under this Section 1.4(a) are to be made within three Business Days following written confirmation of the effectiveness of the Merger and the receipt of the foregoing Tax forms.

(b) Holdback Amount.

(i) Notwithstanding anything to the contrary in the other provisions of this Article I, Acquirer shall withhold from each Converting Holder's applicable portion of the Total Merger Consideration issuable to such Converting Holder pursuant to Section 1.3(a) such Converting Holder's Pro Rata Share of the Holdback Amount, including exercised Company Warrants on an as converted basis. All shares of Acquirer Common Stock deposited into the Holdback Fund will be vested shares and will not include, for the avoidance of doubt, shares of Acquirer Common Stock subject to the Vesting Agreements. The Holdback Fund shall constitute partial security for the benefit of Acquirer (on behalf of itself or any other Indemnified Person) with respect to any Indemnifiable Damages pursuant to the indemnification obligations of the Converting Holders under Section 1.6(f) and Article VI, and shall be held and distributed in accordance with Section 1.6(f) and Section 6.1. The adoption of this Agreement and the approval of the principal terms of the Merger by the Company Stockholders shall constitute, among other things, approval of the Holdback Amount, the withholding of the Holdback Amount by Acquirer and the appointment of the Stockholders' Agent.

(ii) In the event of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into capital stock), reorganization, reclassification, combination, recapitalization or other like change with respect to shares of Acquirer Common Stock occurring after the Effective Time and prior to the Holdback Release Date, all references herein to specified numbers of shares of any class or series affected thereby, and all calculations provided for that are based upon numbers of shares of any class or series (or trading prices therefor) affected thereby, shall be equitably adjusted to the extent necessary to provide the parties the same economic effect as contemplated by this Agreement prior to such stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change.

(c) Legends. Any shares of Acquirer Common Stock to be issued pursuant to this Agreement shall bear the following legends (along with any other legends that may be required under Applicable Law):

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(d) Unaccredited Stockholders. Notwithstanding anything to the contrary in this Agreement, any shares of Acquirer Common Stock that, but for this Section 1.4(d) would have become issuable to a Company Securityholder pursuant to Section 1.3(a), may, in Acquirer's sole discretion, be replaced by an amount of cash in lieu of such shares of Acquirer Common Stock on the basis described in the following sentence if Acquirer does not have a reasonable belief that such holder is an "accredited investor" (as such term is defined in Regulation D under the Securities Act). In such case, the amount of cash delivered in lieu of the shares of Acquirer Common Stock shall be determined by multiplying the number of shares of Acquirer Common Stock that would have been issued by the Acquirer Stock Price.

(e) Transfers of Ownership. If any shares of Acquirer Common Stock issuable pursuant to Section 1.3(a) are to be paid or issued, as applicable, to a Person other than the Converting Holder to which the Company Capital Stock is registered, it shall be a condition of the payment and issuance thereof that such Company Capital Stock shall be properly assigned by an executed stock power and assignment and that the Person requesting such exchange shall have paid to Acquirer or any agent designated by Acquirer any transfer or other Taxes required by reason of the payment of cash in any name other than that of the registered holder of such Company Capital Stock, or established to the satisfaction of Acquirer or any agent designated by Acquirer that such Tax has been paid or is not payable.

(f) Unclaimed Consideration. Each Company Stockholder who has not theretofore complied with the exchange procedures set forth in and contemplated by this Section 1.4 shall look only to Acquirer (subject to abandoned property, escheat and similar Applicable Law) for its claim, only as a general unsecured creditor thereof, to any portion of the Total Merger Consideration issuable pursuant to Section 1.3(a) in respect of such Company Capital Stock held by such Company Stockholder. Notwithstanding the foregoing, Acquirer shall not be liable to any holder of shares of Company Capital Stock for any amounts paid to a public official pursuant to applicable abandoned property, escheat or similar Applicable Laws.

1.5 No Further Ownership Rights in the Company Capital Stock. The applicable portion of the Total Merger Consideration issued or issuable in accordance with this Agreement shall be issued or issuable, as applicable, in full satisfaction of all rights pertaining to the shares of Company Capital Stock represented by such Certificates, and there shall be no further registration of transfers on the records of the Surviving Corporation of shares of Company Capital Stock that were issued and outstanding immediately prior to the Effective Time. If, after the Effective Time, any stock certificate, document or instrument representing shares of Company Capital Stock is presented to the Surviving Corporation for any reason, such stock certificate, document or instrument (and the underlying shares of Company Capital Stock) shall be cancelled and exchanged as provided in this Article I.

1.6 Net Working Capital Adjustment.

(a) Within 60 days after the Closing, Acquirer shall prepare the calculation of Company Net Working Capital (the "***NWC Calculations***") by delivering to the Stockholders' Agent a notice (the "***Acquirer NWC Notice***") setting forth Acquirer's calculation of Company Net Working Capital and the amount by which Company Net Working Capital as calculated by Acquirer is less than or more than Company Net Working Capital as set forth in the Company Closing Financial Certificate, in each case together with supporting documentation, information and calculations. Any matters not expressly set forth in the Acquirer NWC Notice shall be deemed to have been accepted by Acquirer, except for such other matters contained in the NWC Calculations that are affected by the ultimate resolution of the matters in dispute.

(b) The Stockholders' Agent may object to the calculation of Company Net Working Capital set forth in the Acquirer NWC Notice by providing written notice of such objection to Acquirer within 30 days after Acquirer's delivery of the Acquirer NWC Notice (the " ***Notice of Objection***"), together with supporting documentation, information and calculations. Any matters not expressly set forth in the Notice of Objection shall be deemed to have been accepted by the Stockholders' Agent on behalf of the Converting Holders, except for such other matters contained in the NWC Calculations that are affected by the ultimate resolution of the matters in dispute.

(c) If the Stockholders' Agent timely provides the Notice of Objection, then Acquirer and the Stockholders' Agent shall confer in good faith for a period of up to ten Business Days following Acquirer's timely receipt of the Notice of Objection in an attempt to resolve any disputed matter set forth in the Notice of Objection, and any resolution by them shall be in writing and shall be final and binding on the parties hereto and the Converting Holders.

(d) If, after the ten Business Day period set forth in Section 1.6(c), Acquirer and the Stockholders' Agent cannot resolve any matter set forth in the Notice of Objection, then Acquirer and the Stockholders' Agent shall engage a nationally or regionally recognized independent accounting firm acceptable to both Acquirer and the Stockholders' Agent, with which neither has an existing relationship (the "***Independent Accountant***") to review only the matters in the Notice of Objection that are still disputed by Acquirer and the Stockholders' Agent and the NWC Calculations to the extent relevant thereto. After such review and a review of the Company's relevant books and records, the Independent Accountant shall promptly (and in any event within 60 days following its engagement) determine the resolution of such remaining disputed matters, which determination shall be final and binding on the parties hereto and the Converting Holders, and the Independent Accountant shall provide Acquirer and the Stockholders' Agent with a calculation of Company Net Working Capital in accordance with such determination.

(e) In the event that Acquirer and Stockholders' Agent submit any unresolved objections with respect to the Company Net Working Capital to the Independent Accountant for resolution as provided in Section 1.6(d), Acquirer and the Stockholders' Agent (on behalf of the Converting Holders) shall each pay their own fees and expenses. The costs and charges of the Independent Accountant will be allocated between the parties based on the inverse of the percentage its determination (before such allocation) bears to the aggregate amount of the items in dispute as originally submitted to the Independent Accountant. By way of illustration and not limitation, assuming the items in dispute total an amount equal to $1,000 and the Independent Accountant awards $600 in favor of the Stockholders' Agent's position, 60% of the costs of its review would be borne by Acquirer and 40% of such costs would be borne by the Converting Holders.

(f) In the event the Company Net Working Capital as finally determined pursuant to Section 1.6, as the case may be (the "***Closing Net Working Capital***") is less than the Company Net Working Capital calculated in the Company Closing Financial Certificate, the Converting Holders shall severally but not jointly, based on their respective Pro Rata Share, indemnify and hold harmless Acquirer, without any objection by the Stockholders' Agent, for the amount that the Closing Net Working Capital is less than the Company Net Working Capital calculated in the Company Closing Financial Certificate and Acquirer shall be entitled recover such amount from the Holdback Fund, and then to the extent any amount still remains, from the Converting Holders in accordance with their Pro Rata Share of such final remainder.

(g) Acquirer's right to indemnification pursuant to this Section 1.6 will not be subject to any of the limitations set forth in Article VI. Any payments made pursuant to this Section 1.6 shall be treated as adjustments to the Total Merger Consideration for all Tax purposes to the maximum extent permitted under Applicable Law.

1.7 Tax Consequences. The parties hereto intend the Merger to be a taxable exchange of Company Capital Stock for Acquirer Common Stock under Section 367(a) of the Code. Acquirer makes no representations or warranties to the Company or to any Company Securityholder regarding the Tax treatment of the Merger, or any of the Tax consequences to the Company or any Company Securityholder of this Agreement, the Merger or any of the other Transactions. The Company acknowledges that the Company and the Company Securityholders are relying solely on their own Tax advisors in connection with this Agreement, the Merger and the other Transactions.

1.8 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid by the applicable Company Securityholder when due, and such Company Securityholder shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees.

1.9 Withholding Rights. Each of Acquirer, Merger Sub, the Surviving Corporation and their respective subsidiaries, and any other Person who is a withholding agent under applicable Tax law, shall be entitled to deduct and withhold from any amounts otherwise payable pursuant to this Agreement to any Key Employee, any continuing employee, any holder of any shares of Company Capital Stock or Certificates or any other Person, such amounts as are required to be deducted and withheld under the Code or any provision of state, local, provincial or foreign Tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Persons in respect of which such deduction and withholding was made.

1.10 Taking of Necessary Action; Further Action. If, at any time after the Closing, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and interest in, to and under, and/or possession of, all assets, property, rights, privileges, powers and franchises of the Company, the officers and directors of the Surviving Corporation are fully authorized, in the name and on behalf of the Company or otherwise, to take all lawful action necessary or desirable to accomplish such purpose or acts, so long as such action is not inconsistent with this Agreement.

ARTICLE II
Representations and Warranties of the Company

Subject to the disclosures set forth in the disclosure letter of the Company delivered to Acquirer concurrently with the execution of this Agreement (the "***Company Disclosure Letter***") (each of which disclosures, in order to be effective, shall clearly indicate the Section and, if applicable, the Subsection of this Article II to which it relates (unless and only to the extent the relevance to other representations and warranties is reasonably apparent from the actual text of the disclosures without any reference to extrinsic documentation or any independent knowledge on the part of the reader regarding the matter disclosed), and each of which disclosures shall also be deemed to qualify the representations and warranties made by the Company to Acquirer under this Article II), the Company represents and warrants to Acquirer as follows:

2.1 Organization, Standing, Power and Subsidiaries.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has the corporate power to own, operate, use, distribute and lease its properties and to conduct the Business and is duly licensed or qualified to do business and is in good standing in each jurisdiction in each of the jurisdictions specified on Schedule 2.1(a) of the Company Disclosure Letter, except where the failure to be so qualified or in good standing, individually or in the aggregate with any such other failures, would reasonably be expected to have a Material Adverse Effect with respect to the Company. There are no outstanding and currently effective powers of attorneys executed by or on behalf of the Company.

(b) The Company does not have any Subsidiaries and the Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity.

(c) Neither the Company nor any of the Company Stockholders has ever approved or commenced any proceeding or made any election contemplating the dissolution or liquidation of the Company or the winding up or cessation of the business or affairs of the Company. There are no entities that have been merged into or that otherwise are predecessors to the Company.

(d) Schedule 2.1(d) of the Company Disclosure Letter sets forth an accurate and complete list of: (i) the names of the members of the Board, (ii) the names of the members of each committee of the Board and (iii) the names and titles of the officers of the Company.

2.2 Capital Structure.

(a) The authorized Company Capital Stock consists solely of 20,000,000 shares of Company Common Stock, 4,511,690 shares of which are issued and outstanding, and there are no other issued and outstanding shares of Company Capital Stock and no commitments or Contracts to issue any shares of Company Capital Stock other than pursuant to the exercise of Company Warrants that are outstanding and have been made available to Acquirer. The Company does not hold any treasury shares. Schedule 2.2(a) of the Company Disclosure Letter sets forth a true, correct and complete list of the Company Stockholders and the number and type of such shares so owned by such Company Stockholder, and any beneficial holders thereof, if applicable. All issued and outstanding shares of Company Capital Stock are duly authorized, validly issued, fully paid and non-assessable and to the Company's knowledge are free of any Encumbrances, and are free of any outstanding subscriptions, preemptive rights or "put" or "call" rights created by statute, the Certificate of Incorporation, the Bylaws or any Contract to which the Company is a party or by which the Company or any of its assets are bound. The Company has not ever declared or paid any dividends on any shares of Company Capital Stock. There is no Liability for dividends accrued and unpaid by the Company. The Company is not under any obligation to register under the Securities Act or any other Applicable Law any shares of Company Capital Stock or other Equity Interests of the Company. All issued and outstanding shares of Company Capital Stock were issued in compliance with Applicable Law and all requirements set forth in the Certificate of Incorporation, the Bylaws and any applicable Contracts to which the Company is a party or by which the Company or any of its assets are bound.

(b) Schedule 2.2(b) of the Company Disclosure Letter sets forth a true, correct and complete list of all Company Warrantholders, including the number of shares and type of Company Capital Stock subject to each Company Warrant, the date of grant, the exercise or vesting schedule (and the terms of any acceleration thereof), the exercise price per share and the term of each Company Warrant. True, correct and complete copies of each Company Warrant have been made available to Acquirer, and such Company Warrants have not been amended or supplemented since being made available to Acquirer, and there are no Contracts providing for the amendment or supplement of such Company Warrants. The terms of the Company Warrants permit the treatment of Company Warrants as provided herein, with applicable notice to the Company Warrantholders, the Company Stockholders or otherwise with acceleration of the exercise schedule in effect for such Company Warrants.

(c) As of the Agreement Date, except for the exercise of the Company Warrants listed on Schedule 2.2(b) and the conversion of the Convertible Note, Schedule 2.2(c) of the Company Disclosure Letter sets forth the all amounts of additional shares of Company Common Stock to be issued after the Agreement Date but prior to Closing. The Company has not issued any Company Options. There are no authorized, issued or outstanding Equity Interests of the Company other than shares of Company Capital Stock and Company Warrants. Other than as set forth on Schedules 2.2(a), 2.2(b) and 2.2(c) of the Company Disclosure Letter, no Person has any Equity Interests of the Company, stock appreciation rights, stock units, share schemes, calls or rights, or is party to any Contract of any character to which the Company or a Company Securityholder is a party or by which it or its assets is bound, (i) obligating the Company or a Company Securityholder to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Equity Interests of the Company or other rights to purchase or otherwise acquire any Equity Interests of the Company, whether vested or unvested, or (ii) obligating the Company to grant, extend, accelerate the vesting and/or repurchase rights of, change the price of, or otherwise amend or enter into any such Company Option, Company Warrant, call, right or Contract.

(d) No Company Debt (i) granting its holder the right to vote on any matters on which any Company Stockholder may vote (or that is convertible into, or exchangeable for, securities having such right) or (ii) the value of which is in any way based upon or derived from capital or voting stock of the Company, is issued or outstanding.

(e) There are no Contracts relating to voting, purchase, sale or transfer of any Company Capital Stock (i) between or among the Company, on the one hand, and any Company Stockholder, on the other hand, other than written Contracts granting the Company the right to purchase unvested shares upon termination of employment with or service to the Company, and (ii) to the knowledge of the Company, between or among any of the Company Securityholders. No Contract of any character to which the Company is a party to or by which the Company or any of its assets are bound requires or otherwise provides for the acceleration of any benefits thereunder, in each case in connection with the Transactions or upon termination of employment or service with the Company or Acquirer, or any other event, whether before, upon or following the Effective Time or otherwise.

(f) As of the Closing, (i) the number of shares of Company Capital Stock set forth in the Spreadsheet as being owned by a Person, or subject to Company Warrants owned by such Person, will constitute the entire interest of such Person in the issued and outstanding Company Capital Stock or any other Equity Interests of the Company, (ii) no Person not disclosed in the Spreadsheet will have a right to acquire from the Company any shares of Company Capital Stock, Company Options, Company Warrants or any other Equity Interests of the Company and (iii) to the knowledge of the Company, the shares of Company Capital Stock and/or Company Warrants disclosed in the Spreadsheet will be free and clear of any Encumbrances, except for Permitted Encumbrances or Encumbrances that will be removed at Closing.

(g) Schedule 2.2(g) of the Company Disclosure Letter identifies each employee of the Company or any other Person with an offer letter or other Contract or Company Employee Plan that contemplates a grant of, or right to purchase or receive: (i) warrants to purchase shares of Company Common Stock or other equity awards with respect to Company Capital Stock or (ii) other Equity Interests of the Company that, in each case, have not been issued or granted, together with the number of such options, other equity awards or other securities and any promised terms thereof.

(h) The Company has not and will not incur any unsatisfied Liability or obligation to withhold Taxes under Section 409A of the Code with respect to the issuance of any Equity Interests in the Company prior to the Agreement Date.

2.3 Authority; Non-contravention.

(a) Subject to obtaining the Company Stockholder Approval, the Company has all requisite corporate power and authority to enter into this Agreement and the other Company Transaction Documents and to consummate the Transactions. The execution and delivery of this Agreement and the other Company Transaction Documents and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Company. Each Transaction Document has been duly executed and delivered by the Company and, assuming the due execution and delivery of such Transaction Document by the other parties hereto, constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The Board, by resolutions duly adopted (and not thereafter modified or rescinded) by the unanimous vote of the Board, has (i) declared that this Agreement and the Transactions upon the terms and subject to the conditions set forth herein, advisable, fair to and in the best interests of the Company and the Company Stockholders, (ii) approved this Agreement in

accordance with Applicable Law and (iii) directed that the adoption of this Agreement be submitted to the Company Stockholders for consideration and recommended that all of the Company Stockholders adopt this Agreement and approve the Merger. The affirmative vote of the holders of at least a majority of the outstanding shares of Company Common Stock is the only vote of the holders of Company Capital Stock necessary to adopt this Agreement and approve the Transactions under the DGCL, the Certificate of Incorporation and the Bylaws, each as in effect at the time of such adoption and approval (collectively, the "***Company Stockholder Approval***").

(b) The execution and delivery of this Agreement and the other Company Transaction Documents by the Company does not, and the consummation of the Transactions will not, (i) result in the creation of any Encumbrance on any of the material assets of the Company or any of the shares of Company Capital Stock or other Equity Interests of the Company or (ii) conflict with, or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any benefit under, or require any consent, approval or waiver from any Person pursuant to, (A) any provision of the Certificate of Incorporation, the Bylaws or other equivalent organizational or governing documents of the Company, in each case as amended to date, (B) any Contract of the Company or any Contract applicable to any of the assets of the Company or (C) any Applicable Law, except in the case of clauses (B) and (C), as would not be material to the Company.

(c) No consent, approval, Order or authorization of, or registration, declaration or filing with, or notice to, any Governmental Entity or any other Person is required by or with respect to the Company in connection with the execution and delivery of this Agreement or any other Company Transaction Document or the consummation of the Transactions, except for (i) the filing of the Certificate of Merger with the Secretary of State of the state of Delaware and (ii) those that, if not obtained or made, would not reasonably be expected to adversely affect the ability of the Company to consummate the Transactions.

2.4 Financial Statements; No Undisclosed Liabilities.

(a) The Company has made available to Acquirer its consolidated unaudited financial statements for the last nine months of the partial fiscal year ending December 31, 2019 and the entire fiscal year ending December 31, 2020 (including, in each case, balance sheets and statements of cash flows) (collectively, the "***Financial Statements***"), which are included as Schedule 2.4(a) of the Company Disclosure Letter. The Financial Statements (i) are derived from and in accordance with the books and records of the Company, (ii) fairly and accurately present in all material respects the financial condition of the Company at the dates therein indicated and the results of operations and cash flows of the Company for the periods therein specified (subject, in the case of unaudited interim period Financial Statements, to normal recurring year-end audit adjustments, none of which individually or in the aggregate are or will be material in amount), (iii) are true, correct and complete in all materials respects and (iv) were prepared in accordance with GAAP, except that the Company does not comply with ASC606 regarding the recognition of Intellectual Property licensing revenue and for the absence of footnotes in the unaudited Financial Statements, applied on a consistent basis throughout the periods involved.

(b) The Company does not have any material Liabilities of any nature other than (i) those set forth or adequately provided for in the balance sheet included in the Financial Statements as of March 31, 2021 (such date, the "***Company Balance Sheet Date***" and such balance sheet, the "***Company Balance Sheet***"), (ii) those incurred in the conduct of the Company's business since the Company Balance Sheet Date in the ordinary course of business and consistent with past practice that are of the type that ordinarily recur and, individually or in the aggregate, are not material in nature or amount and (iii) those incurred by the Company in connection with the execution of this Agreement.

(c) Schedule 2.4(c) of the Company Disclosure Letter sets forth a true, correct and complete list of all Company Debt as of the Agreement Date, including, for each item of Company Debt, the agreement governing the Company Debt and the interest rate, maturity date, any assets securing such Company Debt and any prepayment or other penalties payable in connection with the repayment of such Company Debt at the Closing.

(d) Schedule 2.4(d) of the Company Disclosure Letter sets forth the names and locations of all banks and other financial institutions at which the Company maintains accounts and the names of all Persons authorized to make withdrawals therefrom.

(e) The accounts receivable of the Company (collectively, the "***Accounts Receivable***") as reflected on the Company Balance Sheet and as will be reflected in the Company Closing Financial Certificate arose in the ordinary course of business consistent with past practice and represent *bona fide* claims against debtors for sales and other charges, and have been collected or are collectible in the book amounts thereof within one year following the Closing, less an amount not in excess of the allowance for doubtful accounts provided for in the Company Balance Sheet or in the Company Closing Financial Certificate, as the case may be.

2.5 Absence of Changes. Since the Company Balance Sheet Date: (a) the Business has been conducted in the ordinary course of business consistent with past practice, (b) the Company has not experienced Material Adverse Effect and (c) the Company has not done, caused, or permitted any action that if taken after the Agreement Date would have required the prior written consent of Acquirer pursuant to Section 4.1(a)-(y).

2.6 Litigation. Except as set forth in Schedule 2.6 of the Company Disclosure Letter, there is no pending Legal Proceeding to which the Company is a party, and, to 6the knowledge of the Company, no threatened Legal Proceeding in writing against the Company or any of its assets or any of its directors, officers or employees (in their capacities as such or relating to their employment, services or relationship with the Company). There is no Order against the Company, or any of its assets or, to the knowledge of the Company, any of its directors, officers or employees (in their capacities as such or relating to their employment, services or relationship with the Company).

2.7 Restrictions on Business Activities. There is no Contract or Order binding upon the Company that restricts or prohibits, purports to restrict or prohibit, has or would reasonably be expected to have, whether before or after consummation of the Merger, the effect of prohibiting, restricting or impairing any current or presently proposed business practice of the Company, any acquisition of property by the Company or the conduct or operation of the Business or limiting the freedom of the Company or Acquirer to (i) engage or participate, or compete with any other Person, in any line of business, market or geographic area with respect to the Company Products or the Company Intellectual Property, or to make use of any Company Intellectual Property, including any grants by the Company of exclusive rights or licenses (ii) sell, distribute or manufacture any products or services or to purchase or otherwise obtain any software, components, parts or services, (iii) solicit the services or business of any Person, or (iv) freely set prices for any products, services or technology, including the Company Products (including any most favored pricing provisions).

2.8 Compliance with Laws; Governmental Permits.

(a) The Company has at all times complied with and has not received any notice of violation with respect to any Applicable Law (other than compliance with

Applicable Laws related to Intellectual Property and Data and Privacy, which are addressed solely in Sections 2.10 and 2.11, Tax, which is addressed solely in Section 2.12, and ERISA and other employee benefit, and employment and labor matters, which is addressed solely in Section 2.13).

(b) The Company holds, and has at all times held and maintained, each federal, state, county, local or foreign governmental consent, license, permission, consent, permit, grant or other authorization and approval (including having exercised relevant passporting rights) of a Governmental Entity (i) pursuant to which the Company currently operates or holds any interest in any of its assets or properties or (ii) that is required to carry on the activities required for or in connection with the carrying on of the conduct of the Business as required by all Applicable Laws in the places and in the manner in which the Business of the Company is carried on or the holding of any such interest (all of the foregoing consents, licenses, permissions, consents, permits, grants and other authorizations and approvals, collectively, the "***Company Authorizations***"), and all of the Company Authorizations are in full force and effect, are not limited in duration or subject to any conditions and have been complied with in all respects. Schedule 2.8(b) of the Company Disclosure Letter identifies each Company Authorization.

(c) The Company has not received any notice or other communication from any Governmental Entity regarding (i) any actual or possible violation of any Company Authorization or (ii) any actual or possible revocation, non-renewal, withdrawal, suspension, cancellation, termination or modification of any Company Authorization or any Company Authorization made subject to any restrictions, requirements or conditions, or which may confer a right of revocation, and to the knowledge of the Company, no such information notice or other communication is forthcoming. The Company has complied with all of the terms of the Company Authorizations and none of the Company Authorizations will be terminated, revoked or impaired, or will become terminable, in whole or in part, as a result of the consummation of the Transactions.

2.9 Title to, Condition and Sufficiency of Assets; Real Property.

(a) The Company has good and marketable title to, or valid leasehold interest in all of the properties, and interests in properties and assets, real and personal, reflected on the Company Balance Sheet or acquired after the Company Balance Sheet Date (except properties and assets, or interests in properties and assets, sold or otherwise disposed of since the Company Balance Sheet Date in the ordinary course of business and consistent with past practice), or, with respect to leased properties and assets, valid leasehold interests in such properties and assets that afford the Company valid leasehold possession of the properties and assets that are the subject of such leases, in each case, free and clear of all Encumbrances, except Permitted Encumbrances.

(b) The assets and properties owned by the Company (i) constitute all of the assets and properties that are necessary for the Company to operate the Business without (A) the need for Acquirer to acquire or license, in any material respect, any other asset, property or Intellectual Property or (B) the breach or violation of any Contract.

(c) The Company does not own or lease any real property.

2.10 Intellectual Property.

(a) As used herein, the following terms have the meanings indicated below:

(i) "***Company Data***" means all data Processed in connection with the operation of the Business or the development, training, marketing, delivery, support or use of any Company Product, including Company-Licensed Data, Company-Owned Data and Personal Data.

(ii) "***Company Data Agreement***" means any Contract involving Company Data to which the Company is a party or is bound by.

(iii) "***Company Intellectual Property***" means any and all Company-Owned Intellectual Property and any and all Third-Party Intellectual Property that is licensed to or otherwise used by the Company.

(iv) "***Company Intellectual Property Agreements***" means any Contract relating to any Company Intellectual Property to which the Company is a party or is bound by.

(v) "***Company-Licensed Data***" means all data that is Processed by the Company which is owned, held, collected, or purported to be owned, held or collected by a third party.

(vi) "***Company-Owned Data***" means each element of data Processed that the Company owns, holds or controls or purports to own, hold or control.

(vii) "***Company-Owned Intellectual Property***" means any and all Intellectual Property that is owned or purported to be owned by the Company.

(viii) "***Company Privacy Policies***" means, collectively, any and all (A) of the data protection, data usage, data privacy and security policies of the Company, whether applicable internally, or published on Company Websites or otherwise made available by the Company to any Person, (B) public statements (including statements on Company Websites), industry self-regulatory obligations and commitments and Contracts with third parties relating to the Processing of Company Data, and (C) third-party privacy policies with which the Company has been or is contractually obligated to comply.

(ix) "***Company Products***" means all products or services (including any websites and mobile applications) currently or previously produced, marketed, licensed, sublicensed, sold, distributed or performed by or on behalf of the Company and all products or services currently under development by the Company.

(x) "***Company Registered Intellectual Property***" means the United States, international and foreign: (A) patents and patent applications (including provisional applications), (B) registered trademarks, applications to register trademarks, intent-to-use applications, or other registrations or applications related to trademarks, (C) registered Internet domain names and (D) registered copyrights and applications for copyright registration, in each case registered or filed in the name of, or owned by, the Company.

(xi) "***Company Source Code***" means, collectively, any software source code or database specifications or designs, or any proprietary information or algorithm contained in or relating to any software source code or database specifications or designs, of any Company-Owned Intellectual Property or Company Products.

(xii) "***Company Websites***" means all web sites and mobile applications owned, operated or hosted by the Company or through which the Company conducts the Business (including those web sites operated using the domain names listed in Schedule 2.10(b) of the Company Disclosure Letter), and the underlying platforms for such web sites and mobile applications.

(xiii) "***ICT Infrastructure***" means the information and communications technology infrastructure and systems (including software, hardware,

firmware, networks and the Company Websites) that are or have been used in the Business.

(xiv) "***Intellectual Property***" means (A) Intellectual Property Rights and (B) Proprietary Information and Technology.

(xv) "***Intellectual Property Rights***" means any and all of the following and all rights in, arising out of, or associated therewith, throughout the world: patents, utility models, and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations and continuations-in-part thereof and equivalent or similar rights in inventions and discoveries anywhere in the world, including invention disclosures, common law and statutory rights associated with trade secrets, confidential and proprietary information and know-how, industrial designs and any registrations and applications therefor, trade names, logos, trade dress, trademarks and service marks, trademark and service mark registrations, trademark and service mark applications and any and all goodwill associated with and symbolized by the foregoing items, Internet domain name applications and registrations, social media accounts, Internet and World Wide Web URLs or addresses, copyrights, copyright registrations and applications therefor and all other rights corresponding thereto, database rights, mask works, mask work registrations and applications therefor and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology, moral and economic rights of authors and inventors, however denominated and any similar or equivalent rights to any of the foregoing, and all benefits, privileges, causes of action and remedies relating to any of the foregoing.

(xvi) "***Open Source Materials***" means software or other material that is distributed as "free software," "open source software" or under similar licensing or distribution terms (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License).

(xvii) "***Proprietary Information and Technology***" means any and all of the following: works of authorship, computer programs, source code and executable code, whether embodied in software, firmware or otherwise, assemblers, applets, compilers, user interfaces, application programming interfaces, protocols, architectures, documentation, annotations, comments, designs, files, records, schematics, test methodologies, test vectors, emulation and simulation tools and reports, hardware development tools, models, tooling, prototypes, breadboards and other devices, data, data structures, databases, data compilations and collections, inventions (whether or not patentable), invention disclosures, discoveries, improvements, technology, proprietary and confidential ideas and information, tools, concepts, techniques, methods, processes, formulae, patterns, algorithms and specifications, customer lists and supplier lists and any and all instantiations or embodiments of the foregoing or any Intellectual Property Rights in any form and embodied in any media.

(xviii) "***R&D Sponsor***" means any Governmental Entity, private source, university, college, other educational institution, military, multi-national, bi-national or international organization or research center that has provided grants to the Company or any developer, inventor or other contributor to any Company-Owned Intellectual Property.

(xix) "***Third-Party Intellectual Property***" means any and all Intellectual Property owned or purported to be owned by a third party.

(b) Company-Owned Intellectual Property; Status. Schedule 2.10(b) of the Company Disclosure Letter lists all Company-Owned Intellectual Property. The Company has full title and exclusive ownership of all Company-Owned Intellectual Property free and clear of any Encumbrances, except for Permitted Encumbrances, and are duly licensed under or otherwise authorized to use, all other Intellectual Property necessary for the conduct of the Business. The Company has not transferred ownership of, or granted any exclusive rights in, any Company Intellectual Property to any third party. No third party has any ownership right, title, interest, claim in or lien on any of the Company-Owned Intellectual Property.

(c) Registered Intellectual Property. The Company does not have any Company Registered Intellectual Property, except for the trademarks and domain names listed on Schedule 2.10(c) of the Company Disclosure Letter.

(d) Company Products. Schedule 2.10(d) of the Company Disclosure Letter lists all Company Products. Except with respect to any Open Source Materials listed on Schedule 2.10(n) of the Company Disclosure Letter, Schedule 2.10(d) of the Company Disclosure Letter lists all Third-Party Intellectual Property incorporated into or distributed with each such Company Product, along with the applicable licensor of such Third-Party Intellectual Property and the applicable Company Intellectual Property Agreement under which the Company is licensed or otherwise authorized to use such Third-Party Intellectual Property.

(e) No Assistance. At no time during the conception of or reduction to practice of any of the Company-Owned Intellectual Property was the Company or, to the knowledge of the Company, any developer, inventor or other contributor to such Company-Owned Intellectual Property (i) operating under any grants from any R&D Sponsor or (ii) performing (directly or indirectly) research sponsored by any R&D Sponsor. To the knowledge of the Company, no R&D Sponsor has any claim of right or license to, ownership of or other Encumbrance on any Company Intellectual Property.

(f) Founders. All rights in, to and under all Intellectual Property created by the Company's founders for or on behalf or in contemplation of the Company (i) prior to the inception of the Company or (ii) prior to their commencement of employment with the Company, in each case, have been duly and validly assigned to the Company without any conflict or breach of any such founder's obligations to any third party, and the Company has no reason to believe that any such Person is unwilling to provide Acquirer or the Company with such cooperation as may reasonably be required to complete and prosecute all appropriate United States and foreign patent and copyright filings related thereto.

(g) Invention Assignment and Confidentiality Agreement. The Company has secured from all (i) current and former consultants, advisors, employees and independent contractors who independently or jointly contributed to or participated in the conception, reduction to practice, creation or development of any Intellectual Property for the Company and (ii) named inventors of patents and patent applications owned or purported to be owned by the Company (any Person described in clause (i) or (ii), an "***Author***"), unencumbered and unrestricted exclusive ownership of, all of the Authors' right, title and interest in and to such Intellectual Property, and the Company has obtained the waiver of all non-assignable rights. No Author has retained any rights, licenses, claims or interest whatsoever with respect to any Intellectual Property developed by the Author for the Company. Without limiting the foregoing, the Company has obtained written and enforceable proprietary information and invention disclosure and Intellectual Property assignments from all current and former Authors assigning all of each Author's right and title to any Intellectual Property developed in the course of such Author's employment or engagement with the Company to the Company and, in the case of patents and patent applications, such assignments have been recorded with the relevant authorities in the applicable jurisdiction or jurisdictions. The Company has made available to Acquirer copies of all forms of such disclosure and assignment documents currently and historically used by the Company and, in the case of patents and patent applications, the Company has made available to Acquirer copies of all such assignments. To the knowledge of the Company, no Author is subject to any employment agreement or invention assignment or nondisclosure agreement or other obligation with any third party that could adversely affect the Company's rights in Company-Owned Intellectual Property.

(h) No Violation. To the knowledge of the Company, no current or former employee, consultant, advisor or independent contractor of the Company: (i) is in

violation of any term or covenant of any Contract relating to employment, invention disclosure, invention assignment, non-disclosure or non-competition or any other Contract with any other party by virtue of such employee's, consultant's, advisor's or independent contractor's being employed by, or performing services for, the Company or using trade secrets or proprietary information of others without permission or (ii) has developed any technology, software or other copyrightable, patentable or otherwise proprietary work for the Company that is subject to any agreement under which such employee, consultant, advisor or independent contractor has assigned or otherwise granted to any third party any rights (including Intellectual Property Rights) in or to such technology, software or other copyrightable, patentable or otherwise proprietary work. Neither the execution nor delivery of this Agreement will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract of the type described in clause (i).

(i) Confidential Information. The Company has taken all commercially reasonable and legally required steps to protect and preserve the confidentiality of all confidential or non-public information of the Company (including trade secrets, Company Source Code and Company Data) or provided by any third party to the Company ("***Confidential Information***"). All current and former employees and contractors of the Company and any third party having access to Confidential Information have executed and delivered to the Company a written legally binding agreement regarding the protection of such Confidential Information. There has been no breach of confidentiality obligations or unauthorized disclosure on the part of the Company or, to the knowledge of the Company, by any third party with respect to Confidential Information.

(j) Non-Infringement. To the knowledge of the Company, there is no unauthorized use, unauthorized disclosure, infringement, misappropriation or other violation of any Company-Owned Intellectual Property by any third party. The Company has not sent a notice to any third party alleging infringement, misappropriation or other violation of any Company-Owned Intellectual Property. The Company has not brought any Legal Proceeding for infringement, misappropriation or other violation of any Company-Owned Intellectual Property. The Company has no Liability for infringement, misappropriation or other violation of any Third-Party Intellectual Property. None of (i) the Company Products, (ii) the Company-Owned Intellectual Property or (iii) the operation of the Business has or does infringe, misappropriate or otherwise violate any Third-Party Intellectual Property, breach any terms of service, click-through agreement or any other agreement or rules, policies or guidelines applicable to use of such Third-Party Intellectual Property. The Company has not been involved in any Legal Proceeding or received any written communications (including any third-party reports by users) alleging that the Company has infringed, misappropriated, or otherwise violated or, by conducting the Business any Intellectual Property of any other Person or entity.

(k) Licenses; Agreements. The Company has not granted any option, right of first refusal or negotiation or other similar rights, licenses or agreements of any kind relating to any Company-Owned Intellectual Property outside of nonexclusive licenses, and the Company is not bound by or a party to any exclusive option, exclusive right of first refusal or negotiation or other similar exclusive right, license or agreement of any kind with respect to any of the Company-Owned Intellectual Property.

(l) Other Intellectual Property Agreements. With respect to the Company Intellectual Property Agreements:

(i) each such agreement is valid and subsisting and has, where required, been duly recorded or registered with the relevant intellectual property authority;

(ii) the Company is not (or will not be as a result of the execution and delivery or effectiveness of this Agreement or the performance of the Company's obligations under this Agreement) in breach of any Company Intellectual Property Agreement and the consummation of the Transactions will not result in the modification, cancellation, termination, suspension of, or acceleration of any payments, rights, obligations or remedies with respect to any Company Intellectual Property Agreements, or give any non-Company party to any Company Intellectual Property Agreement the right to do any of the foregoing;

(iii) to the knowledge of the Company, no counterparty to any Company Intellectual Property Agreement is in breach thereof;

(iv) at and after the Closing, the Surviving Corporation (as a wholly owned subsidiary of Acquirer) will be permitted to exercise all of the Company's rights under the Company Intellectual Property Agreements to the same extent the Company would have been able to had the Transactions not occurred and without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments that the Company would otherwise be required to pay;

(v) there are no disputes or Legal Proceedings (pending or threatened) regarding the scope of any Company Intellectual Property Agreements, or performance under any Company Intellectual Property Agreements including with respect to any payments to be made or received by the Company thereunder;

(vi) no Company Intellectual Property Agreement requires the Company to include any Third-Party Intellectual Property in any Company Product or obtain any Person's approval of any Company Product at any stage of development, licensing, distribution or sale of that Company Product;

(vii) none of the Company Intellectual Property Agreements grants any third party exclusive rights to or under any Company Intellectual Property; and

(viii) the Company has obtained valid, written, licenses (sufficient for the conduct of the Business) to all Third-Party Intellectual Property that is incorporated into, integrated or bundled by Company with any of the Company Products.

(m) Company Source Code. The Company has not disclosed, delivered or licensed to any Person or agreed or obligated itself to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, nor has there been any unauthorized or inadvertent disclosure of, any Company Source Code, other than disclosures to employees (i) involved in the development of Company Products and (ii) subject to a written confidentiality agreement. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, result in the disclosure, delivery or license by the Company of any Company Source Code, other than disclosures to employees involved in the development of Company Products subject to a written confidentiality agreement. Without limiting the foregoing, neither the execution nor performance of this Agreement nor the consummation of any of the Transactions will result in a release from escrow or other delivery to a third party of any Company Source Code.

(n) Open Source Software. Schedule 2.10(n) of the Company Disclosure Letter identifies all Open Source Materials used in any Company Products or in the conduct of the Business, describes the manner in which such Open Source Materials were used (such description shall include whether (and, if so, how) the Open Source Materials were modified and/or distributed by the Company) and identifies the licenses under which such Open Source Materials were used. The Company is in compliance with the terms and conditions of all licenses for the Open Source Materials. Except as set forth on Schedule 2.10(n) of the Company Disclosure Letter, the Company has not (i) incorporated Open Source Materials into, or combined Open Source Materials with, the Company-Owned Intellectual Property or Company Products, (ii) distributed Open Source Materials in conjunction with any Company-Owned Intellectual Property or Company Products or (iii) used Open Source Materials, in such a way that, with respect to clauses (i) or (ii), creates, or purports to create, obligations for the Company with respect to any Company-Owned Intellectual Property or grant, or purport to grant, to any third party any rights or immunities under any Company-Owned Intellectual Property (including using any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials that other software incorporated into, derived from or distributed with such Open Source Materials be (A) disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works or (C) be redistributable at no charge).

(o) Information Technology.

(i) Status. The ICT Infrastructure that is currently used by the Company in the Business constitutes all the information and communications technology and other systems infrastructure reasonably necessary to carry on the Business.

(ii) Processing. The Company has valid and subsisting rights and lawful bases to Process all Company-Licensed Data howsoever obtained or collected by the Company in the manner that it is Processed by the Company. The Company has all rights, lawful bases, permissions, licenses or authorizations required under Applicable Laws (including Privacy Laws) and relevant Contracts (including Company Data Agreements), to retain, produce copies, prepare derivative works, disclose, combine with other data, and grant third parties rights, as applicable, to the Company-Licensed Data as necessary for the operation of the Business. The Company is and has been in compliance with all Contracts pursuant to which the Company Processes or has Processed Company-Licensed Data, and the consummation of the Transactions will not conflict with, or result in any violation or breach of, or default under, any such Contract.

(iii) Company Data. The Company is the owner of all right, title and interest in and to each element of Company-Owned Data. The Company has the right to Process all Company-Owned Data without obtaining any permission or authorization of any Person. Other than as set forth on Schedule 2.10(o)(iii) of the Company Disclosure Letter, the Company has not entered into any Contract governing any Company-Owned Data or to which the Company is a party or bound by, except for customer contracts that do not deviate in any material respect from the Company's standard form of customer contract for Company Products (copies of which have been made available to Acquirer).

2.11 Data Privacy and Security.

(a) The Company's data privacy and security practices and processing of Personal Data comply, and at all times have complied, with all of the Company Privacy Commitments, Privacy Laws and Company Data Agreements. The Company has at all times required by Privacy Laws and Company Data Agreements: (A) had a valid legal basis (including providing adequate notice and obtaining any necessary consents from individuals) required for the Processing of Personal Data as conducted by or for the Company, (B) refrained from selling or sharing Personal Data with third parties for the third party's benefit except as allowed under Applicable Law, and (C) abided by any privacy rights and choices (including privacy by default obligations under Applicable Law and data-subject opt-out preferences) of individuals relating to Personal Data (such obligations along with all statements and obligations contained in Company Privacy Policies, collectively, "***Company Privacy Commitments***"). The Company has not granted any options, rights of first refusal or negotiation or other similar rights, licenses or agreements of any kind relating to any Company Data, and the Company is not bound by or a party to any option, rights of first refusal or negotiation or other similar rights, license or agreement of any kind with respect to any of the Company Data. Neither the execution, delivery and performance of this Agreement nor the taking over by Acquirer of all of the Company Data and other information relating to the Company's end users, employees, vendors or clients, or any other category of individuals, will cause, constitute or result in a breach or violation of any Privacy Laws or Company Privacy Commitments, any Company Data Agreements or any standard terms of service entered into by the Company with individuals the Personal Data of whom is Processed by the Company or its Processors. Copies of all current and prior Company Privacy Policies have been made available to Acquirer and such copies are true, correct and complete.

(b) The Company has established and maintain appropriate technical, physical and organizational measures and security systems and technologies in compliance with all data security and other applicable requirements under Privacy Laws and Company Privacy Commitments that are designed to protect Company Data against: (i) accidental or unlawful Processing or disclosure; (ii) breaches of confidentiality; (iii) unavailability of Company Data; or (iv) other events which affect the integrity of Company Data, in each case, in a manner appropriate to the risks represented by the Processing of such data by the Company, their data processors and any other third party with whom the Company has shared such Company Data (such processors and foregoing third parties, collectively, "***Processors***"). The Company has taken commercially reasonable steps to ensure the compliance of their respective employees and contractors who have access to Company Data, to train such employees on all applicable aspects of any Privacy Law and Company Privacy Commitments and to ensure that all employees with the authority and/or ability to access such data are under written obligations of confidentiality with respect to such data. The Company has a process in place for identifying Personal Data in the materials they offer to their users on their websites and takes appropriate steps to ensure they are able legally to use such Personal Data as part of its commercial offering.

(c) The Company has not received or experienced and there is no circumstance (including any circumstance arising as a result of an audit or inspection carried out by any Governmental Entity) that would reasonably be expected to give rise to, any Legal Proceeding, Order, notice, communication, warrant, regulatory opinion, audit result or allegation from a Governmental Entity or any other Person (including an end user): (A) alleging or confirming non-compliance with a relevant requirement of Privacy Laws or Company Privacy Commitments, (B) requiring or requesting the Company to amend, rectify, cease Processing, de-combine, permanently anonymize, block or delete any Company Data, (C) permitting or mandating relevant Governmental Entities to investigate, requisition information from, or enter the premises of, the Company or (D) claiming compensation from the Company. There are no unsatisfied requests from individuals or other third parties to the Company seeking to exercise any data protection or privacy rights (such as rights to access, rectify, or delete Personal Data, to restrict or object to processing of Personal Data, or relating to data portability). The Company has not been involved in any Legal Proceedings involving non-compliance or alleged non-compliance with Privacy Laws or Company Privacy Commitments.

(d) Schedule 2.11(d) of the Company Disclosure Letter contains the complete list of notifications and registrations made by the Company under Privacy Laws with relevant Governmental Entities in connection with the Company's Processing of Personal Data. All such notifications and registrations are valid, accurate, complete and fully paid up and, to the knowledge of the Company, the consummation of the Transactions will not invalidate such notification or registration or require such notification or registration to be amended. To the knowledge of the Company, other than the notifications and registrations set forth on Schedule 2.11(d) of the Company Disclosure Letter, no other registrations or notifications are required in connection with the Processing of Personal Data by the Company. The Company does not Process the Personal Data of any natural person who is under the age of 13 or is otherwise considered a child under Applicable Law.

(e) The Company has made available to Acquirer true, correct and complete copies of all Contracts permitting a Processor to Process Personal Data and such Processors have not breached any such Contracts pertaining to Personal Data Processed by such Persons on behalf of the Company.

(f) The Company maintains complete, accurate and up to date records of (i) all Processing activities of Personal Data and their lawful bases and (ii) all data protection impact assessments, in each case as required by the applicable Privacy Laws.

(g) No Breach. To the knowledge of the Company, no violation of any Privacy Law or Company Privacy Commitments has resulted in a security incident, breach, or unauthorized access or disclosure in relation to Company Data or Confidential Information (including Personal Data in the Company's possession, custody or control) has occurred or is threatened, and there has been no unauthorized or illegal Processing of any of the foregoing. Neither the Company nor any Person acting on any Company's behalf or direction has: (A) paid any perpetrator of any data breach incident, ransomware or cyber-attack or (B) paid any third party with actual or alleged information about a data breach incident, ransomware or cyber-attack, pursuant to a request for payment from or on behalf of such perpetrator or other third Person. With respect to the ICT Infrastructure and to the knowledge of the Company, no data or security incident, including malware, ransomware, virus, compromise of credentials, denial-of-service attack, compromise of data integrity, confidentiality or availability, or unauthorized intrusion of any kind has occurred or is threatened. To the knowledge of the Company, no

circumstance has arisen in which: (x) Privacy Laws would require the Company to notify a Governmental Entity or an applicable individual of a data breach or security incident, or operational incident or (y) applicable guidance or codes or practice promulgated under Privacy Laws would recommend the Company to notify a Governmental Entity or an applicable individual of a data breach or security incident or operational incident.

(i) No Data Warranty. The Company has not ever directly stated or indirectly implied that Company Products enhance the privacy or security of data (including Personal Data) accessed, provided or sent by end users.

2.12 Taxes.

(a) The Company has properly completed and timely filed all Tax Returns required to be filed by it prior to the Closing Date and have timely paid all Taxes required to be paid by them (whether or not shown on any Tax Return). All Tax Returns were complete and accurate in all material respects and have been prepared in compliance with Applicable Law. There is no claim for Taxes that has resulted in an Encumbrance (other than an Encumbrance for Taxes not yet due and payable) against any of the assets of the Company.

(b) The Company has delivered to Acquirer true, correct and complete copies of all of its Tax Returns, examination reports and statements of deficiencies, adjustments and proposed deficiencies and adjustments.

(c) The Company Balance Sheet reflects all Liabilities for unpaid Taxes of the Company for periods (or portions of periods) through the Company Balance Sheet Date. The Company does not have any Liability for unpaid Taxes accruing after the Company Balance Sheet Date except for Taxes arising in the ordinary course of business and consistent with past practice. The Company does not have any Liability for Taxes (whether outstanding, accrued for, contingent or otherwise) that are not included in the calculation of Company Net Working Capital.

(d) There is (i) no past, pending or, to the knowledge of the Company, threatened audit of, or Tax controversy associated with, any Tax Return of the Company that has been or is being conducted by a Tax Authority, (ii) no other procedure, proceeding or contest of any refund or deficiency in respect of Taxes pending or on appeal with any Governmental Entity, (iii) no extension of any statute of limitations on the assessment of any Taxes granted by the Company currently in effect and (iv) no agreement to any extension of time for filing any Tax Return that has not been filed. No written claim has ever been made by any Governmental Entity in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction.

(e) The Company has collected and remitted all sales, use, value added, ad valorem, personal property and similar Taxes ("***Sales Taxes***") with respect to sales made or services provided and, for all sales or provision of services that are exempt from Sales Taxes and that were made without charging or remitting Sales Taxes, the Company has received and retained any required Tax exemption certificates or other documentation qualifying such sale or provision of services as exempt.

(f) The Company is not subject to income Tax, sales Tax, use Tax, gross receipts or any other type of Tax in any U.S. state where it does not file Tax Returns applicable to such type of Tax.

(g) The Company is not a party to or bound by any Tax sharing, Tax indemnity, Tax allocation agreement or advance pricing agreement (other than a commercial agreement not primarily related to Taxes), and the Company does not have any Liability or potential Liability to another party or to a Governmental Entity under any such agreement.

(h) The Company has disclosed on their Tax Returns any Tax reporting position taken in any Tax Return that could result in the imposition of penalties under Section 6662 of the Code or any comparable provisions of state, local or foreign Applicable Law.

(i) There are no Tax amounts that would be required to be clawed back, recaptured, added back, reimbursed or otherwise forfeited by the Company as a consequence of being a party to any transaction that benefited from a deferral of Tax by virtue of any special rule or regime providing for the deferral of Tax (including any transaction benefiting from a special tax regime applicable to qualifying corporate reorganizations).

(j) The Company has not participated in, and are not currently participating in, a "Listed Transaction" within the meaning of Section 6707A(c)(2) of the Code or Treasury Regulation Section 1.6011-4(b(2)).

(k) The Company does not and has never been a member of a consolidated, combined, unitary or aggregate group for Tax purposes (including, as the case may be, a tax consolidated group or fiscal unity for purposes of any corporate income tax or value added tax) of which the Company was not the ultimate parent corporation.

(l) The Company does not have any Liability for the Taxes of any other Person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor (including any successor Tax liability derived from an acquisition of an ongoing concern), by operation of Applicable Law, by Contract or otherwise.

(m) The Company will not be required to include any item of income in, or exclude any item of deduction from, Taxable income for any Taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a Taxable period ending on or prior to the Closing Date, (ii) "closing agreement" described in Section 7121 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law) executed on or prior to the Closing Date, (iii) installment sale or open transaction disposition made on or prior to the Closing Date, (iv) election under Section 108(i) of the Code made on or prior to the Closing Date or (v) prepaid amount received on or prior to the Closing Date.

(n) The Company has not received any private letter ruling from the IRS (or any comparable Tax ruling, binding or not the Company, from any other Governmental Entity).

(o) The Company is not subject to Tax in any country other than their country of incorporation, organization or formation by virtue of having employees or a permanent establishment or any other place of business in such other country

(p) The Company is not and has never has been a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code.

(q) The Company has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock intended to qualify for Tax-free treatment under Section 355 of the Code (i) in the two years prior to the Agreement Date or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(r) The Company has (i) complied with all Applicable Law relating to the payment, reporting and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445, 1446, 1471, 1472 and 3406 of the Code or similar provisions under any foreign law), (ii) withheld (within the time and in the manner prescribed by Applicable Law) from employee wages or consulting compensation and paid over to the proper Governmental Entities (or is properly holding for such timely payment) all amounts required to be so withheld and paid over under all Applicable Law, including federal and state income Taxes, Federal Insurance Contribution Act, Medicare, Federal Unemployment Tax Act, relevant state income and employment Tax withholding laws, and foreign Tax laws (as applicable) and (iii) timely filed all withholding Tax Returns, for all periods through and including the Closing Date. The Company is eligible for any payroll tax credit or deferral that they have claimed pursuant to the CARES Act. Schedule 2.12(r) of the Company Disclosure Letter sets forth any such tax credit or deferral that the Company has claimed.

(s) The Company does not own any interest in any controlled foreign corporation (as defined in Section 957 of the Code), passive foreign investment company (as defined in Section 1297 of the Code) ("***PFIC***"), or other entity the income of which is required to be included in the income of the Company.

(t) The Company is not a party to a "gain recognition agreement" within the meaning of the U.S. Treasury Regulations promulgated under Section 367 of the Code.

(u) The Company has made available to Acquirer true, correct and complete copies of all election statements under Section 83(b) of the Code, together with evidence of timely filing of such election statements with the appropriate Internal Revenue Service Center, with respect to any property issued by the Company or any ERISA Affiliate to any of their respective employees, non-employee directors, consultants and other service providers. No payment to any Converting Holder of any portion of the Total Merger Consideration payable pursuant to Section 1.3(a)(i) will result in compensation or other income to any Converting Holder with respect to which Acquirer or the Company would be required to deduct or withhold any Taxes.

(v) Schedule 2.12(v) of the Company Disclosure Letter lists all "nonqualified deferred compensation plans" (within the meaning of Section 409A of the Code) to which the Company is a party and which are not exempt from Section 409A of the Code. Each such nonqualified deferred compensation plan complies with the requirements of paragraphs (2), (3) and (4) of Section 409A(a) by its terms and has been operated in accordance with such requirements. No event has occurred that would be treated by Section 409A(b) as a transfer of property for purposes of Section 83 of the Code. The Company is under no obligation to gross up any Taxes or reimburse any Tax-related payments to any Person under Section 409A of the Code or otherwise.

(w) The Company is in compliance with all applicable transfer pricing laws and regulations, including the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Company. The prices for any property or services (or for the use of any property) provided by or to the Company are arm's length prices for purposes of all applicable transfer pricing laws, including the Treasury Regulations promulgated under Section 482 of the Code.

(x) No independent contractor was or will be considered as an employee of the Company by an applicable Tax Authority.

(y) Except as set forth on Schedule 2.12(y) of the Company Disclosure Letter, there is no agreement, plan, arrangement or other Contract covering any current or former employee or other service provider of the Company or any ERISA Affiliate to which the Company is a party or by which the Company or their assets are bound that, considered individually or considered collectively with any other agreement, plan, arrangement or other Contract will, or would reasonably be expect to, as a result of the Transactions (whether alone or upon the occurrence of any additional or subsequent events) give rise directly or indirectly to the payment of any amount that would reasonably be characterized as a "parachute payment" within the meaning of Section 280G of the Code (or any corresponding or similar provision of state, local or foreign Tax law). The Company does not have (nor have ever had) any obligation to report, withhold, gross up, indemnify or otherwise provide any payment for any excise Taxes, including those incurred pursuant to Section 409A or Section 4999 of the Code or due to the failure of any payment to be deductible under of Section 280G of the Code.

(z) Schedule 2.12(z) of the Company Disclosure Letter lists each Person (whether or not a United States resident) who as of Closing will be, with respect to the Company, a "disqualified individual" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined as of the Agreement Date. No Equity Interests of the Company or any Company Securityholder is readily tradable on an established securities market or otherwise (within the meaning of Section 280G of the Code and the regulations promulgated thereunder) such that the Company is ineligible to seek stockholder approval in a manner that complies with Section 280G(b)(5) of the Code.

2.13 Employee Benefit Plans and Employee Matters.

(a) Schedule 2.13(a) of the Company Disclosure Letter lists, with respect to the Company and any trade or business (whether or not incorporated) that is treated as a single employer with the Company (an "***ERISA Affiliate***") within the meaning of Section 414(b), (c), (m) or (o) of the Code, (i) all "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974 ("***ERISA***"), (ii) each loan to an employee, (iii) all stock option, stock purchase, phantom stock, stock appreciation right, restricted stock unit, supplemental retirement, severance, sabbatical, medical, dental, vision care, disability, employee relocation, cafeteria benefit (Section 125 of the Code), dependent care (Section 129 of the Code), life insurance or accident insurance plans, programs or arrangements, (iv) all bonus, pension, profit sharing, savings, severance, retirement, deferred compensation or incentive plans (including cash incentive plans), programs or arrangements, (v) all other fringe or employee benefit plans, programs or arrangements and (vi) all employment, individual consulting, retention, change of control or executive compensation or severance agreements, in each case, written or otherwise, formal or informal, as to which any unsatisfied obligations of the Company remain for the benefit of, or relating to, any present or former employee, consultant or non-employee director of the Company (all of the foregoing described in clauses (i) through (vi), collectively, the "***Company Employee Plans***").

(b) The Company do not sponsor or maintain any self-funded employee benefit plan, including any plan to which a stop-loss policy applies. The Company has made available to Acquirer a true, correct and complete copy of each of the Company Employee Plans and related plan documents (including trust documents, insurance policies or Contracts, employee booklets, summary plan descriptions, prospectuses, registration statements and other authorizing documents, actuarial reports, financial statements, and any material employee communications relating thereto) and has with respect to each Company Employee Plan that is subject to ERISA reporting requirements, made available to Acquirer true, correct and complete copies of the Form 5500 reports filed for the last three plan years. The Company does not sponsor or maintain any Company Employee Plan qualified or intended to be qualified under Section 401(a) of the Code. Each trust established in connection with any Company Employee Plan that is intended to be exempt from federal income taxation under Section 501(a) of the Code is so exempt, and no fact or event has occurred that would reasonably be expected to adversely affect the exempt status of any such trust. All individuals who, pursuant to the terms of any Company Employee Plan, are entitled to participate in any Company Employee Plan, are currently participating in such Company Employee Plan or have been offered an opportunity to do so and have declined in writing.

(c) None of the Company Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person other than as required under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") or any similar state law and the Company has complied with the requirements of such COBRA and any Applicable Law. Each Company Employee Plan has been maintained and administered in accordance with its terms and in compliance with the requirements prescribed by any and all statutes, rules and regulations (including ERISA and the Code), and the Company and each ERISA Affiliate have performed all obligations required to be performed by

them under, is not in default under or in violation of, and has no knowledge of any default or violation by any other party to, any of the Company Employee Plans. All contributions required to be made by the Company or any ERISA Affiliate to any Company Employee Plan have been made on or before their due dates and a reasonable amount has been accrued for contributions to each Company Employee Plan for the current plan years (and no further contributions will be due or will have accrued thereunder as of the Closing Date, other than contributions accrued in the ordinary course of business and consistent with past practice after the Company Balance Sheet Date as a result of the operations of the Company after the Company Balance Sheet Date). Each Company Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without Liability to Acquirer (other than ordinary and reasonable administrative expenses typically incurred in a termination event and any benefits accrued, but not paid, before termination). With respect to each Company Employee Plan, the Company, and each ERISA Affiliate has at all times timely made deposits of any employee contributions, prepared in good faith and timely filed all requisite governmental reports (which were true, correct and complete as of the date filed), including any required audit reports, and have properly and timely filed and distributed or posted all notices and reports to employees required to be filed, distributed or posted with respect to each such Company Employee Plan. No suit, administrative proceeding, action, litigation or claim has been brought, or to the knowledge of the Company, is threatened, against or with respect to any such Company Employee Plan, including any audit or inquiry by any Governmental Entity. With respect to each Company Employee Plan, (i) no breaches of fiduciary duty or other failures to act or comply in connection with the administration or investment of assets, including any "prohibited transaction" (within the meaning of Section 406 of ERISA and Section 4975 of the Code) have occurred with respect to any Company Employee Plan, (ii) no lien has been imposed under Applicable Law and none of the Company or any ERISA Affiliate is subject to any Liability or penalty under Sections 4976 through 4980 of the Code or Title I of ERISA with respect to any Company Employee Plans and (iii) the Company has not made any filing in respect of such Company Employee Plan under the any voluntary correction program. No Company Employee Plan is maintained through a human resources and benefits outsourcing entity or professional employer organization.

(d) There has been no amendment to, written interpretation or announcement (whether or not written) by the Company or any ERISA Affiliate relating to, or change in participation or coverage under, any Company Employee Plan that would materially increase the expense of maintaining such Company Employee Plan above the level of expense incurred with respect to such Company Employee Plan for the most recent full fiscal year included in the Financial Statements.

(e) No Company Employee Plan is sponsored, maintained or contributed to under the law or applicable custom or rule of any jurisdiction outside of the United States and the Company does not engage or employ, and have not at any time engaged or employed, any individual who provides all or substantially all of his or her services to the Company outside of the United States.

(f) No Company Employee Plan is, and neither the Company nor any of its respective ERISA Affiliates maintains, sponsors or contributes to, or has at any time maintained, sponsored or contributed to, or has any liability or obligation (fixed or contingent) with respect to (i) any pension plan (within the meaning of Section 3(2) of ERISA) that is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code, (ii) any "multiemployer plan" as such term is defined in Section 3(37) of ERISA, (iii) any "multiple employer welfare arrangement" as such term is defined in Section 3(40) of ERISA or (iv) any "multiple employer plan" as such term is defined in Section 413(c) of the Code.

(g) The Company is and has been in compliance in all material respects with all Applicable Law respecting employment, discrimination or harassment in employment, terms and conditions of employment, employee benefits, worker classification (including the proper classification of workers as independent contractors and consultants and the proper classification of employees as exempt or non-exempt), wages, social security contributions, state and federal withholdings, working hours and overtime, meal and rest periods, occupational safety and health and employment practices, immigration and work authorization laws, and with respect to each Company Employee Plan. The Company is not liable for any arrears of wages, compensation, Taxes, penalties or other sums for failure to comply with any of the foregoing. The Company has paid in full to all current and former employees, independent contractors and consultants all payments, wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees, independent contractors and consultants. The Company is not liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for any current or former employees (other than routine payments to be made in the normal course of business and consistently with past practice). There are no pending claims against the Company under any workers compensation plan or policy or for long term disability and there are no independent contractors who may successfully claim to be employees or otherwise be considered employees of the Company. Except as set forth on Schedule 2.13(g) of the Company Disclosure Letter, the Company does not have any obligations under COBRA with respect to any former employees or qualifying beneficiaries thereunder. The Company does not have any other obligations with respect to any former employees or qualifying beneficiaries thereunder, except for obligations that are not material in amount. There are no Legal Proceedings pending or, to the knowledge of the Company, threatened, between the Company and any of their current or former employees. No amounts are owed by the Company due to salary reviews or increases or delays in salary reviews or increases.

(h) The Company has made available to Acquirer true, correct and complete copies of each of the following: (i) all forms of offer letters, (ii) all forms of employment agreements and severance agreements, (iii) all forms of services agreements and agreements with current and former consultants and/or advisory board members, (iv) all forms of confidentiality, non-competition or inventions agreements between current and former employees/consultants and the Company (and a true, correct and complete list of employees, consultants and/or others not subject thereto), (v) the most current management organization chart(s), (vi) all forms of bonus plans and any form award agreement thereunder, (vii) a schedule of bonus commitments made to employees of the Company and (viii) any agreements that deviate in any material respect from the forms provided pursuant to clause (i)–(vi). The Company has made and executed employment contracts in full compliance with the legal and regulatory requirements and in accordance with the purpose of the type of contract used in each case, including the use of any fixed-term or temporary employment contracts.

(i) The Company is not and has not at any time been a party to or bound by any collective bargaining agreement, works council arrangement or other labor union Contract, no collective bargaining agreement is being negotiated by the Company and the Company has not duty to bargain with any labor organization. There is no pending demand for recognition or any other request or demand from a labor organization for representative status with respect to any Person employed by the Company. To the knowledge of the Company, there are no activities or proceedings of any labor union or to organize the Company's employees. There is no labor dispute, strike or work stoppage against the Company pending nor, to the knowledge of the Company, threatened that may interfere with the conduct of the Business. The has not Company and, to the knowledge of the Company, none of its Representatives have committed any unfair labor practice in connection with the conduct of the Business, and there is no charge or complaint against the Company by the National Labor Relations Board or any comparable Governmental Entity pending or, to the knowledge of the Company, threatened. No employee of the Company has been dismissed, furloughed or transitioned to a reduced work schedule in the 12 months immediately preceding the Agreement Date.

(j) To the knowledge of the Company, no employee of the Company is in violation of any term of any employment agreement, non-competition agreement or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company because of the nature of the Business or to the use of trade secrets or proprietary information of others. To the knowledge of the Company, no consultant or contractor of the Company is in violation of any term of any non-competition agreement or any restrictive covenant to a former employer relating to the right of any such consultant or contractor to be providing services to the Company because of the nature of the Business or to the use of trade secrets or proprietary information of others. Except as set forth on Schedule 2.13(j) of the Company Disclosure Letter, as of the Agreement Date no employee has given notice to the Company and, to the knowledge of the Company, no employee of the Company intends to terminate his or her employment with the Company. Except as set forth on Schedule 2.13(j) of the Company Disclosure Letter, the employment of each of the employees of the Company is "at will" (except for non-United States employees of the Company located in a jurisdiction that does not recognize the "at will" employment concept) and the Company has no obligation to provide any particular form or period of notice prior to terminating the employment of any of its employees. The Company has not (i) entered into any Contract

that obligates or purports to obligate Acquirer to make an offer of employment to any present or former employee or consultant of the Company and/or (ii) promised or otherwise provided any assurances (contingent or otherwise) to any present or former employee or consultant of the Company of any terms or conditions of employment with Acquirer following the Effective Time.

(k) Schedule 2.13(k) (i) of the Company Disclosure Letter sets forth a true, correct and complete list of all current employees of the Company, showing each such individual's name, hire date, position, visa status, leave status, work location, type of employment (whether permanent or fixed-term), classification as exempt or non-exempt, gross annual remuneration, target bonuses, commissions and all other applicable forms of fixed or variable remuneration, bonuses, commissions and all other applicable forms of fixed or variable remuneration paid in respect of the most recently completed fiscal year. Schedule 2.13(k)(ii) of the Company Disclosure Letter sets forth a true, correct and complete list of all currently engaged consultants, advisory board members and independent contractors of the Company, showing each such individual's name, compensation, initial date of engagement and each subsequent engagement (if applicable).

(l) The Company is and has been in compliance in all material respects with the Worker Adjustment Retraining Notification Act of 1988 or any similar state or local law (the "***WARN Act***"). In the past two years, (i) the Company has effectuated a "plant closing" (as defined by the Warn Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of its business, (ii) there has not occurred a "mass layoff" (as defined by the WARN Act) affecting any site of employment or facility of the Company and (iii) the Company has not been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state, local or foreign law or regulation.

(m) Except as disclosed in Schedule 2.13(m) of the Company Disclosure Letter, there are no offer letters, employment agreements, services agreements, consultancy agreements or other agreements or arrangements entered into by the Company pursuant to which the execution, delivery and performance of this Agreement, or the consummation of the Transactions, or any termination of employment or service and any other event in connection therewith or subsequent thereto will, individually or together or with the occurrence of some other event (whether contingent or otherwise), (i) result in any material payment or benefit (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due or payable, or required to be provided, to any current or former employee, director, independent contractor or consultant, (ii) materially increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any current or former employee, director, independent contractor or consultant, (iii) result in the acceleration of the time of payment, vesting or funding of any such benefit or compensation, (iv) increase the amount of compensation due to any Person by the Company, (v) result in the forgiveness in whole or in part of any outstanding loans made by the Company to any Person or (vi) limit the Company's ability to terminate any Company Employee Plan. No amount paid or payable by the Company in connection with the Transactions, whether alone or in combination with another event, will be an "excess parachute payment" within the meaning of Section 280G of the Code or Section 4999 of the Code or will not be deductible by the Company by reason of Section 280G of the Code.

(n) There are no performance improvements or disciplinary actions contemplated or pending against any of the Company's employees. No Misconduct Claim has been made, or is currently pending or threatened against any service provider of the Company with respect to conduct relating to the Company's workplace, no service provider of the Company has engaged in any act that would reasonably be expected to give rise to a Misconduct Claim relating to the Company's workplace, and no service provider has been terminated from any prior employment or service for any Misconduct Claim.

2.14 Interested-Party Transactions. Except as set forth in Schedule 2.14 of the Company Disclosure Letter, none of the officers or directors of the Company or, to the knowledge of the Company, any of the other employees of the Company or any Company Stockholder, or any of the immediate family members of any of the foregoing, (i) has any direct or indirect ownership, participation, royalty or other interest in, or is an officer, director, employee of or consultant or contractor for any firm, partnership, entity or corporation that competes with, or does business with, or has any contractual arrangement with, the Company (except with respect to any interest in less than 5% of the stock of any corporation whose stock is publicly traded), (ii) is a party to, or to the knowledge of the Company, otherwise directly or indirectly interested in, any Contract to which the Company is a party or by which the Company or any of its assets are bound, except for normal compensation for services as an officer, director or employee thereof or (iii) has any interest in any property, real or personal, tangible or intangible (including any Intellectual Property) that is used in, or that relates to, the Business, except for the rights of Company Stockholders under Applicable Law.

2.15 Insurance. The Company maintains the policies of insurance set forth in Schedule 2.15 of the Company Disclosure Letter, including all legally required workers' compensation insurance and errors and omissions, casualty, fire, cybersecurity, and general liability insurance Schedule 2.15 of the Company Disclosure Letter sets forth the name of the insurer under each such policy and bond, the type of policy or bond, the coverage amount and any applicable deductible and any other material provisions, as well as all material claims made under such policies that are currently outstanding. The Company has made available to Acquirer true, correct and complete copies of all such policies of insurance issued at the request or for the benefit of the Company. There is no claim pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies. All premiums due and payable under all such policies and bonds have been timely paid and the Company is otherwise in compliance with the terms of such policies. All such policies remain in full force and effect, and the Company has no knowledge of any threatened termination of, or material premium increase with respect to, any of such policies.

2.16 Books and Records. The Company has made available to Acquirer true, correct and complete copies of (i) all documents identified on the Company Disclosure Letter, (ii) the Certificate of Incorporation and the Bylaws or equivalent organizational or governing documents of the Company, each as currently in effect, (iii) copies of all records of proceedings, consents, actions and meetings of the Board, committees of the Board and the Company Stockholders and (iv) the stock ledger, journal and other records reflecting all stock issuances and transfers and all stock option and warrant grants and agreements of the Company. The Board and Stockholder records of the Company made available to Acquirer contain a complete summary of all meetings of directors and of the Company Stockholders or actions by written consent since the time of incorporation of the Company through the Agreement Date. The books, records and accounts of the Company (A) are true, correct and complete in all material respects, (B) have been maintained in accordance with reasonable business practices on a basis consistent with prior years, (C) are stated in reasonable detail and accurately and fairly reflect all of the transactions and dispositions of the assets and properties of the Company and (D) accurately and fairly reflect the basis for the Financial Statements.

2.17 Material Contracts.

(a) Schedules 2.17(a)(i) through (xxi) of the Company Disclosure Letter set forth a list of each of the following Contracts to which the Company is a party that are in effect and active on the Agreement Date (collectively, the "***Material Contracts***"):

(i) each Contract with a (A) Significant Customer or (B) Significant Supplier;

(ii) each Contract providing for payments by or to the Company (or under which the Company has made or received such payments) in an aggregate amount of $50,000 or more;

(iii) each dealer, distributor, referral or similar agreement, or any Contract providing for the grant of rights to reproduce, license, distribute, market, refer or sell the Company Products to any other Person or relating to the advertising or promotion of the Business;

(iv) each (A) joint venture Contract, (B) Contract that involves a sharing of revenues, profits, cash flows, expenses or losses with other Persons and (C) Contract that involves the payment by the Company of royalties to any other Person;

(v) each agreement or Contract providing for the payment of compensation or benefits (including any accelerated vesting) upon any termination of employment or service, or in connection with the Transactions, with any current or former employees under which the Company has any actual or potential Liability;

(vi) each Contract for or relating to the employment or service of any director, officer, employee, consultant or beneficial owner of more than 1% of the total shares of Company Common Stock or any other type of Contract with any of the Company's officers, employees, consultants or beneficial owners of more than 1% of the total shares of Company Common Stock, as the case may be;

(vii) each Contract (A) pursuant to which any other party is granted exclusive rights or "most favored party" rights of any type or scope with respect to any of the Company Products, Company Intellectual Property or Company-Owned Data or which would otherwise restrict the Company from freely setting prices for the Company Products, (B) containing any non-competition covenants or other restrictions relating to the Company Products, Company Intellectual Property or Company-Owned Data, (C) that limits or would limit the freedom of the Company or any of their successors or assigns or their respective Affiliates to (I) engage or participate, or compete with any other Person, in any line of business, market or geographic area with respect to the Company Products or the Company Intellectual Property, or to make use of any Company Intellectual Property, including any grants by the Company of exclusive rights or licenses (II) sell, distribute or manufacture any products or services or to purchase or otherwise obtain any software, components, parts or services or (III) solicit the services or business of any Person, (D) containing any "take or pay," minimum commitments or similar provisions or (E) that is set forth on Schedule 2.13(j) of the Company Disclosure Letter;

(viii) each Company Intellectual Property Agreement (A) where the Company grants any license, covenant not to sue or other rights under any Intellectual Property Rights to any Person, other than non-exclusive licenses entered into in the ordinary course of business consistent with past practice on the Company's standard form of customer contract (a copy of which has been made available to Acquirer); (B) where the Company obtains or receives any license, covenant not to sue or other rights under any Intellectual Property Rights from any Person (provided that for the purposes of this Section 2.17(a)(iii)(B), the Company is not required to disclose: (1) Contracts for Third-Party Intellectual Property licensed to the Company that is generally, commercially available software and (I) is not material to the Company, (II) has not been modified or customized for the Company and (III) is licensed for an annual fee under $5,000, and (2) contracts for the license of Open Source Materials); and (iii) that is not otherwise covered under the foregoing clauses (A) and (B);

(ix) each license, sublicense or other Contract pursuant to which the Company has agreed to any restriction on the right of the Company to use or enforce any Company-Owned Intellectual Property or pursuant to which the Company agrees to encumber, transfer or sell rights in or with respect to any Company-Owned Intellectual Property;

(x) each Contract providing for the development of any software, technology or Intellectual Property, independently or jointly, either by or for the Company (other than employee invention assignment agreements with employees of the Company on the Company's standard form of agreement, copies of which have been made available to Acquirer);

(xi) each confidentiality, secrecy or non-disclosure Contract other than any such Contract entered into by the Company in the ordinary course of business and consistent with past practice or to which the Company is restricted from disclosing due to a confidentiality, secrecy or non-disclosure obligation of the Company related to the Company's potential fundraising activities;

(xii) each Contract to license or authorize any third party to manufacture or reproduce any of the Company Products or Company Intellectual Property;

(xiii) each settlement agreement with respect to any Legal Proceeding;

(xiv) each Contract pursuant to which rights of any third party are triggered or become exercisable, or under which any other consequence, result or effect arises, in connection with or as a result of the execution of this Agreement or the consummation of the Transactions, either alone or in combination with any other event;

(xv) each Contract or plan (including any stock option, merger and/or stock bonus plan) relating to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any shares of Company Capital Stock or any other Equity Interests of the Company, in each case, any options, warrants, convertible notes or other rights to purchase or otherwise acquire any such shares of stock, other securities or options, warrants or other rights therefor, except for the repurchase rights disclosed on Schedule 2.2(a) or Schedule 2.2(c) of the Company Disclosure Letter;

(xvi) each trust indenture, mortgage, promissory note, loan agreement or other Contract for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP;

(xvii) each Contract of guarantee, surety, support, indemnification (other than pursuant to its standard end user agreements), assumption or endorsement of, or any similar commitment with respect to, the Liabilities or indebtedness of any other Person;

(xviii) each Contract for capital expenditures in excess of $25,000 in the aggregate;

(xix) each Contract pursuant to which the Company is a lessor or lessee of any real property or any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property involving expenditures in excess of $25,000 per annum;

(xx) each Contract pursuant to which the Company has acquired a business or entity, or assets of a business or entity, whether by way of merger, consolidation, purchase of stock, purchase of assets, license or otherwise, or any Contract pursuant to which it has any Equity Interest or other material ownership interest in any other Person; and

(xxi) each Contract with any Governmental Entity, any Company Authorization, or any Contract with a government prime contractor, or higher-tier government subcontractor, including any indefinite delivery/indefinite quantity contract, firm-fixed-price contract, schedule contract, blanket purchase agreement, or task or delivery order (each a "***Government Contract***"); and

(xxii) all other Contracts that are material to the Company or the Business.

(b) All Material Contracts are in written form. The Company has performed all of its obligations required to be performed by it and is entitled to all benefits under, and is not alleged to be in default in respect of, any Material Contract. Each of the Material Contracts is in full force and effect, subject only to the effect, if any, of applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and rules of law governing specific performance, injunctive relief and other equitable remedies. Neither the Company nor, to the knowledge of the Company, any other party to any Material Contract is in default or breach in any material respect under the terms of any Material Contract, and no event, occurrence, condition or act has occurred, that, with the giving of notice, the lapse of time or the happening of any other event or condition, would reasonably be expected to (i) constitute an event of default under any Material Contract or (ii) give any third party (A) the right to declare a default or exercise any remedy under any Material Contract, (B) the right to a rebate, chargeback, refund, credit, penalty or change in delivery schedule under any Material Contract, (C) the right to accelerate the maturity or performance of any obligation of the Company under any Material Contract, or (D) the right to cancel, terminate or modify any Material Contract. The Company has not received any notice or other communication regarding any actual or possible violation or breach of, default under, or intention to cancel or modify any Material Contract (including under a *force majeure* or similar provision, including as a result of the COVID-19 Pandemic). The Company does not have any Liability for renegotiation of Government Contracts. True, correct and complete copies of all Material Contracts have been made available to Acquirer at least three Business Days prior to the Agreement Date.

2.18 Transaction Fees. Except as set forth on Schedule 2.18 of the Company Disclosure Letter, no broker, finder, financial advisor, investment banker or similar Person is entitled to any brokerage, finder's or other fee or commission in connection with the origin, negotiation or execution of this Agreement or in connection with the Transactions.

2.19 Customers. Schedule 2.19 of the Company Disclosure Letter set forth a complete list of the 20 largest customers of the Company for the year ended December 31, 2020 (each, a "***Significant Customer***"). For those Significant Customers, who are current customers of the Company as of the Agreement Date, the Company has not received any information from any Significant Customer that such Significant Customer shall not continue as a customer of the Company (or the Surviving Corporation or Acquirer), after the Closing or that such Significant Customer intends to terminate or materially modify existing Contracts with the Company (or the Surviving Corporation or Acquirer). There are no outstanding material disputes with any Significant Customer who is a current customer of the Company as of the Agreement Date.

2.20 Suppliers. Schedule 2.20 of the Company Disclosure Letter set forth a complete list of the 10 largest suppliers of the Company for the year ended December 31, 2020, based on amounts paid or payable with respect to such period (each, a "***Significant Supplier***"). For those Significant Suppliers, who are current suppliers of the Company as of the Agreement Date, the Company has not received any information from any Significant Supplier that such supplier shall not continue as a supplier to the Company (or the Surviving Corporation or Acquirer), after the Closing or that such Significant Supplier intends to terminate or materially modify existing Contracts with the Company (or the Surviving Corporation or Acquirer). There are no outstanding material disputes with any Significant Supplier who is a current supplier of the Company as of the Agreement Date.

2.21 No Other Representations or Warranties. Except for the representations and warranties of the Company set forth in this Agreement, the other Transaction Documents and any schedule, certificate or other document delivered pursuant hereto or thereto or in connection with the Transactions, neither the Company nor any of its Representatives, makes any other representation or warranty, express or implied, either written or oral, regarding the Company, its Equity Interests or otherwise in connection with this Agreement and the Transactions.

ARTICLE III
Representations and Warranties of Acquirer and Merger Sub

Except as and to the extent disclosed in the Acquirer SEC Reports filed or furnished with the SEC on or after November 20, 2020 (the "***Applicable Date***") and publicly available as of the Agreement Date (other than any disclosures set forth in any risk factor section, in any section relating to forward looking statements and any other disclosures included therein to the extent they are predictive, cautionary or forward-looking in nature), Acquirer and Merger Sub, jointly and severally, represent and warrant to the Company (and the Converting Holders as of the Agreement Date) as follows:

3.1 Organization and Standing. Each of Acquirer and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. None of Acquirer or Merger Sub is in violation of any of the provisions of its articles or certificate of incorporation, as applicable, or bylaws or equivalent organizational or governing documents.

3.2 Authority; Non-contravention.

(a) Each of Acquirer and the Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the Transactions. The execution and delivery of this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of Acquirer and Merger Sub. This Agreement has been duly executed and delivered by each of Acquirer and Merger Sub and, assuming the due execution and delivery of this Agreement by the other parties hereto, constitutes the valid and binding obligation of Acquirer and Merger Sub enforceable against Acquirer and Merger Sub, respectively, in accordance with its terms, subject only to the effect, if any, of (i) applicable bankruptcy and other similar Applicable Law affecting the rights of creditors generally and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(b) The execution and delivery of this Agreement by Acquirer and Merger Sub do not, and the consummation of the Transactions will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a benefit under, or require any consent, approval or waiver from any Person pursuant to, (i) any provision of the articles or certificate of incorporation, as applicable, or bylaws or other equivalent organizational or governing documents of Acquirer and Merger Sub, in each case as amended to date or (ii) Applicable Law, except where such conflict, violation, default, termination, cancellation or acceleration, individually or in the aggregate, would not be material to Acquirer's or Merger Sub's ability to consummate the Merger or to perform their respective obligations under this Agreement.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any other Person is required by or with respect to Acquirer or Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the Transactions except for (i) such consents, waivers, approvals, Orders, authorizations, registrations, declarations and filings as may be required under applicable securities laws and state "blue sky" laws, (ii) the filing of

the Certificates of Merger with the Secretary of State of the State of Delaware and (iii) those that, if not obtained or made, would not reasonably be expected to adversely affect the ability of Acquirer or Merger Sub to consummate the Transactions.

3.3 Issuance of Shares. The shares of Acquirer Common Stock issuable in the Merger, when issued by Acquirer in accordance with this Agreement will be duly authorized and issued, fully paid, non-assessable, issued in compliance with Applicable Law, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement, the Vesting Agreements, any stock restriction agreement entered into between Acquirer and any Converting Holder, the certificate of incorporation of Acquirer and Merger Sub, the bylaws of Acquirer and Merger Sub and under Applicable Law.

3.4 No Prior Merger Sub Operations. Merger Sub is a direct, wholly owned subsidiary of Acquirer. Merger Sub was formed solely for the purpose of effecting the Merger and has not engaged in any business activities or conducted any operations other than in connection with the Transactions.

3.5 Capitalization. The authorized share capital of Acquirer consists of an unlimited number of shares of Acquirer Common Stock and an unlimited number of Class A Shares. As of the Agreement Date, 13,383,159 shares of Acquirer Common Stock are issued and outstanding and 5,057 Class A Shares are issued and outstanding. In addition, as of the Agreement Date, Acquirer has issued and outstanding warrants to purchase an aggregate of 5,493,556 shares of Acquirer Common Stock and options to purchase 1,232,213 shares of Acquirer Common Stock.

3.6 Acquirer SEC Reports; Financial Statements.

(a) Since the Applicable Date, Acquirer has filed or furnished with the SEC, on a timely basis (after taking into account any applicable extensions), all forms, reports, certifications, schedules, statements and documents required to be filed or furnished under the Securities Act or the Exchange Act, including all amendments thereto (such forms, reports, certifications, schedules, statements, documents, and amendments thereto collectively, the "***Acquirer SEC Reports***"). As of their respective dates, each of the Acquirer SEC Reports, as amended, complied with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Acquirer SEC Reports, and none of the Acquirer SEC Reports contained, when filed (or, if amended prior to the Closing Date, as of the date of such amendment with respect to those disclosures that are amended), any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Acquirer's Registration Statement on Form S-1 filed with the SEC on February 24, 2021, providing for the registration of securities offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, will not be current as a result of the Transactions contemplated hereby.

(b) The financial statements of Acquirer included in the Acquirer SEC Reports, including all notes and schedules thereto ("***Acquirer Financial Statements***"), complied in all material respects, when filed (or if amended prior to the Closing Date, as of the date of such amendment) with the rules and regulations of the SEC with respect thereto, were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Rule 10-01 of Regulation S-X of the SEC) and such Acquirer Financial Statements present fairly, in all material respects, the financial position of Acquirer and its consolidated Subsidiaries as of their respective dates and the results of operations and the cash flows of Acquirer and its consolidated Subsidiaries for the periods presented therein.

(c) Since the date of the last filing with the SEC of the Acquirer Financial Statements, except in connection with the execution and delivery of this Agreement and the consummation of the Transactions, the business of Acquirer has been conducted in the ordinary course of business.

3.7 Listing Exchange. The Acquirer Common Stock is registered under Section 12(b) of the Exchange Act and is listed on The Nasdaq Stock Market LLC ("***Nasdaq***"), and Acquirer has not received any notice of delisting. The issuance of the Acquirer Common Stock pursuant to this Agreement does not contravene any Nasdaq rules and regulations to which Acquirer is subject.

3.8 Compliance with Law. The Acquirer and each of its Subsidiaries are, and at all times since the Applicable Date have been, in compliance with each Applicable Law that is or was applicable to Acquirer or its Subsidiaries or to the conduct or operation of their respective businesses or the ownership or use of any of their respective assets, except for such non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Acquirer. Neither Acquirer nor its Subsidiaries have received, at any time since the Applicable Date, any notice or other communication from any Governmental Entity or any other Person regarding (1) any actual or alleged violation of, or failure to comply with, any Applicable Law, or (2) any actual or alleged obligation on the part of any Acquirer or its Subsidiaries to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except for such violation or non-compliance that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Acquirer.

3.9 Legal Proceedings. There are no (i) Legal Proceedings pending or, to the knowledge of Acquirer, threatened against Acquirer or its Subsidiaries or (ii) judgments, decrees, injunctions, rulings or orders of any Governmental Entity outstanding against Acquirer or its Subsidiaries, in each case that has had, or would have, a Material Adverse Effect on Acquirer.

3.10 Transaction Fees. There is no broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Acquirer or Merger Sub with respect to which the Converting Holders or the Company shall be liable.

3.11 No Other Representations or Warranties. Except for the representations and warranties of Acquirer and Merger Sub set forth in this Agreement, the other Transaction Documents and any schedule, certificate or other document delivered pursuant hereto or thereto or in connection with the Transactions, neither Acquirer, Merger Sub nor any of their Representatives, makes any other representation or warranty, express or implied, either written or oral, regarding Acquirer, Merger Sub or their Equity Interests or otherwise in connection with this Agreement and the Transactions.

3.12 Investigation. Acquirer acknowledges and agrees that it (a) has made its own inquiry and investigation into, and, based thereon, has formed an independent judgment concerning the Company, the Business and the assets and liabilities of the Company, the Transactions and any other rights or obligations to be transferred, directly or indirectly, pursuant to this Agreement, and (b) has been furnished with, or given adequate access to, such projections, forecasts, estimates, appraisals, statements, promises, advice, data or information about the Company Stockholders, the Company, the Business and the assets and liabilities the Company and any other rights or obligations to be transferred, directly or indirectly, pursuant to this Agreement, as Acquirer has requested. Acquirer further acknowledges and agrees that the only representations and warranties made by the Company are the representations and warranties set forth in Article II, and Acquirer has not relied upon, and hereby expressly waives, any other express or implied representations, warranties or other projections, forecasts, estimates, appraisals, statements, promises, advice, data or information made, communicated or furnished by or on behalf of the Stockholders' Agent, the Company Stockholders, the Company or any of their respective Affiliates or any of their respective representatives, including any projections, forecasts, estimates, appraisals, statements, promises, advice, data or information made, communicated or furnished by or through the Stockholders' Agent's, the Company Stockholders' or the Company's banking representatives, or management presentations, electronic or other virtual data room or other due diligence information.

ARTICLE IV
Additional Agreements

4.1 Conduct of the Business. During the period from the Agreement Date and continuing until the earlier of the termination of this Agreement and the Effective Time (the "***Pre-Closing Period***"), unless Acquirer otherwise agrees in writing, the Company shall conduct the Business in the ordinary course of business consistent with past practice and in accordance with Applicable Law, and the Company shall use commercially reasonable efforts to preserve intact its business organization, to keep available the services of its current respective employees, non-employee directors, consultants and other service providers (except as otherwise set forth in this Agreement), and to preserve the current relationships of the Company with and the goodwill of suppliers and other Persons with which the Company has significant business relations. Without limiting the generality of the foregoing, unless Acquirer otherwise agrees in writing, as required by Applicable Law, or as expressly contemplated by this Agreement, the Company shall not (and shall not permit any of its Representatives to), during the Pre-Closing Period:

(a) cause, propose or permit any amendments to the Certificate of Incorporation or the Bylaws or equivalent organizational or governing documents of the Company;

(b) (i) issue, sell, promise or contract to issue or sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant, or Encumbrance of any Company Capital Stock, Company Options, Company Warrants or other rights to purchase Company Capital Stock, or other Equity Interests (including any phantom interest) or any revenue or profit-sharing interest in respect of the Company (other than the issuance of shares of Company Common Stock pursuant to the exercise of Company Warrants that are outstanding as of the Agreement Date or for shares of Company Common Stock issued as transaction bonuses that have been approved by Acquirer in writing prior to the Agreement Date or pursuant to the agreements listed in Schedule 2.2(c) of the Company Disclosure Letter) or (ii) approve, consent to or otherwise authorize the sale of any shares of Company Capital Stock from an existing Company Stockholder to another Person;

(c) declare or pay any dividends on or make any other distributions (whether in cash, stock or other property) in respect of the Company Capital Stock, or split, combine or reclassify any Equity Interests of the Company or issue or authorize the issuance of any Equity Interests or other securities in respect of, in lieu of or in substitution for any Equity Interests, or repurchase or otherwise acquire, directly or indirectly, any of Equity Interests of the Company;

(d) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any Person or division thereof, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the Company or the Business, or enter into any Contract with respect to a joint venture, strategic alliance or partnership;

(e) sell, lease, license or otherwise dispose of or permit to lapse any tangible or intangible assets of the Company, other than sales and nonexclusive licenses of the Company Products in the ordinary course of business consistent with past practice, or enter into any Contract with respect to the foregoing;

(f) incur any Company Debt (other than pursuant to the Company's existing line of credit or other Indebtedness of up to $200,000 to meet the Company's operating needs between the Agreement Date and Closing with the consent of Acquirer, which consent shall not be unreasonably withheld, conditioned or delayed) and trade payables or accruals in the ordinary course of business and consistent with past practice), issue any debt securities or assume, guarantee, endorse, or otherwise become responsible for the obligations for borrowed money of any Person, or make any loans or advances;

(g) (i) enter into, amend or modify any (A) Contract that would (if entered into, amended or modified prior to the Agreement Date) constitute a Material Contract without the consent of Acquirer, which consent shall not be unreasonably withheld, conditioned or delayed, (B) other material Contract or (C) Contract requiring a novation or consent in connection with the Merger or the other Transactions, (ii) violate, terminate, amend or modify (including by entering into a new Contract with such party or otherwise) or waive any of the terms of any of its Material Contracts or (iii) enter into, amend, modify or terminate any Contract or waive, release or assign any rights or claims thereunder, which if so entered into, modified, amended, terminated, waived, released or assigned would be reasonably likely to (A) adversely affect any Acquired Company (or, following consummation of the Merger, Acquirer or any of its Affiliates) in any material respect, (B) impair the ability of the Company or the Stockholders' Agent to perform their respective obligations under this Agreement or (C) prevent or materially delay or impair the consummation of the Merger and the other Transactions;

(h) authorize, make, or agree to any single capital expenditure that is in excess of $10,000 or capital expenditures that are in the aggregate in excess of $50,000;

(i) (i) increase, defer, or fail to pay the compensation or other amounts payable or to become payable to its current, former, or prospective employees, non-employee directors, consultants or other service providers, or grant any severance or termination pay, other than pursuant to any Company Employee Plan in effect as of the Agreement Date, to any current, former, or prospective employee, non-employee director, consultant or other service provider, or establish, adopt, enter into, amend, terminate, or fail to renew any Company Employee Plan, collective bargaining, or other Contract, trust, fund, or policy for the benefit of any employee, non-employee director, consultant or other service provider, (ii) make any equity awards to any Person, (iii) take any action to accelerate the vesting or payment, or fund or in any other way secure the payment, of compensation or benefits under any Company Employee Plan to the extent not required by this Agreement or such Company Employee Plan as in effect on the Agreement Date, (iv) hire or engage the services of any additional employee, non-employee director, consultant or other service provider, or (v) terminate the employment or services, as applicable, of any employee, non-employee director, consultant or other service provider without cause;

(j) (i) make any change with respect to accounting methods or practices or internal accounting control, inventory, investment, credit, allowance, or Tax procedures or practices, or (ii) increase or change any of the assumptions underlying, or methods of calculating, any bad debt, contingency, or other reserves;

(k) (i) make, revoke, or alter any Tax election, settle or compromise any Tax Liability or Tax contest, file any amended Tax Return, file any Tax Return being filed late or file any Tax Return that is not consistent with past practice or surrender any right to claim a Tax refund, offset, or other reduction in Tax Liability, (ii) extend any statute of limitations with respect to any Tax Return, (iii) enter into any Tax sharing or similar agreement or closing agreement, (iv) assume any Liability for the Taxes of any other Person (whether by Contract or otherwise), (v) consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes;

(l) pay, discharge or satisfy (i) any Liability to any Person who is an officer, director or stockholder of the Company (other than compensation due for services as an officer or director) or (ii) any claim or Liability arising other than in the ordinary course of business consistent with past practice, other than the payment, discharge or satisfaction of Liabilities reflected or reserved against in the Financial Statements and Transaction Expenses, or defer payment of any accounts payable other than in the ordinary course of business consistent with past practice, or give any discount, accommodation or other concession other than in the ordinary course of business consistent with past practice;

(m) forgive, release, cancel, subordinate, write off, or defer any Company Debt, except for PPP Loans, or other obligations for borrowed money (including

principal and accrued but unpaid interest thereon) owed to the Company, or waive any claims or rights of material value;

(n) purchase or sell, transfer, license, lease, or otherwise dispose of any material properties or assets (real, personal, or mixed, tangible or intangible), other than the purchase of inventory in the ordinary course of business and consistent with past practice;

(o) enter into any lease, tenancy, or license for real property;

(p) assign, forfeit, or permit to lapse, or instruct or consent to a future lapse of, any Company Intellectual Property;

(q) pay, loan, or advance any amount to, or sell, transfer, license, lease, or otherwise dispose of any properties or assets (real, personal, or mixed, tangible or intangible) to, the Company's current or former securityholders, debtholders, employees, non-employee directors, consultants or other service providers, or any of their respective Affiliates, other than (i) cash compensation paid to employees, non-employee directors, consultants or other service providers at rates not exceeding the rates of compensation paid during the fiscal year last ended and (ii) advances for travel and other business-related expenses made in the ordinary course of business and consistent with past practice;

(r) take any action to induce or try to induce any Key Employee to terminate or breach his or her Key Employee Document entered into with Acquirer or its Affiliates, or take any action to induce or try to induce any employee, non-employee director, consultant or other service provider to terminate his or her employment or services with the Company prior to the Closing;

(s) accelerate or delay the collection of, or discount, any accounts receivable, accelerate or delay the payment of accounts payable, accelerate or delay the incurrence of expenses, increase or decrease inventories, except in the ordinary course of business consistent with past practice, or otherwise alter the manner in the Company manages its working capital;

(t) incorporate a company, register a branch, or apply for any regulatory license in any jurisdiction (except for renewals of any Company permit in force as of the Agreement Date in the ordinary course of business consistent with past practice);

(u) change accounting methods or practices (including any change in depreciation or amortization policies) or revalue any of its assets (including writing down the value of inventory or writing off notes or accounts receivable otherwise than in the ordinary course of business);

(v) (i) commence a lawsuit other than (A) for the routine collection of bills, (B) in such cases where the Company in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business (provided that the Company consults with Acquirer prior to the filing of such a suit) or (C) for a breach of this Agreement or (ii) settle or agree to settle any pending or threatened lawsuit or other dispute;

(w) materially change the manner in which it provides warranties, discounts or credits to customers;

(x) materially change the amount of, or terminate, any insurance coverage; or

(y) agree or commit to do any of the foregoing.

4.2 Confidentiality; Public Disclosure.

(a) The parties hereto acknowledge that Acquirer and the Company have previously executed a non-disclosure agreement, dated August 28, 2020 (the "***Confidentiality Agreement***"), which shall continue in full force and effect in accordance with its terms. Each party hereto agrees that it and its Representatives shall hold the terms of this Agreement, and the fact of this Agreement's existence, in strict confidence. At no time shall any party hereto disclose any of the terms of this Agreement (including the economic terms) or any non-public information about a party hereto to any other Person without the prior written consent of the party hereto about which such non-public information relates. Notwithstanding anything to the contrary in the foregoing, a party hereto shall be permitted to disclose any and all terms to its financial, tax and legal advisors (each of whom is subject to a similar obligation of confidentiality), and to any Governmental Entity or administrative agency to the extent necessary or advisable in compliance with Applicable Law.

(b) The Company shall not, and shall cause its Representatives not to, issue any press release or other public communications relating to the terms of this Agreement or the Transactions or use Acquirer's name or refer to Acquirer directly or indirectly in connection with Acquirer's relationship with the Company in any media interview, advertisement, news release, press release or professional or trade publication, or in any print media, whether or not in response to an inquiry, without the prior written approval of Acquirer, (i) unless required by Applicable Law (in which event a satisfactory opinion of counsel to that effect shall be first delivered to Acquirer prior to any such disclosure) or (ii) except as reasonably necessary for the Company to obtain the Company Stockholder Approval and the Written Consent and Releases and the other consents and approvals of the Company Stockholders and other third parties contemplated by this Agreement; provided that the prior written approval of Acquirer shall not be required for the Company or its Representatives to make any press release, public announcement or other public disclosure concerning the Transaction Documents or the Transactions following a similar disclosure by Acquirer, except that any such disclosure shall not contain information that was not previously publicly disclosed by Acquirer.

4.3 Expenses; Company Debt.

(a) Except as otherwise set forth herein, all costs and expenses incurred in connection with this Agreement and the Transactions (including Transaction Expenses) shall be paid by the party incurring such expense; provided that at the Closing, Acquirer shall pay or cause to be paid all Transaction Expenses that are incurred but unpaid as of the Closing and set forth in the Company Closing Financial Certificate.

(b) At the Closing, Acquirer shall repay or cause to be repaid all Company Debt for borrowed money outstanding as of the Closing and set forth in the Company Closing Financial Certificate, except for the PPP Loan. At the Closing, Acquirer, on behalf of the Company, shall pay, or cause to be paid, by wire transfer of immediately available funds to the PPP Lender, an amount in cash equal to the outstanding balance of the PPP Loan as of the Closing, for the PPP Lender to hold in an escrow account (the "***PPP Escrow Account***") and disburse solely in accordance with the terms of the PPP Loan Agreement and applicable Law.

(c) Acquirer shall use commercially reasonable efforts from and after the Closing Date to obtain forgiveness of the PPP Loan. If the PPP Lender releases to Acquirer or its Affiliates (including, after the Closing, the Surviving Corporation) from the PPP Escrow Account any amount that was included in Company Debt, Acquirer will promptly (but in any event within ten Business Days) issue to the Converting Holders, based on their Pro Rata Share, a number of shares of Acquirer Common Stock equal to the quotient of (x) the amount so released from the PPP Escrow Account, divided by (y) the Acquirer Stock Price. Notwithstanding anything to the contrary herein, Acquirer

shall have the right to conduct all communications with any third party (including the PPP Lender or any Governmental Entity) related to the PPP Loan (including with respect to forgiveness) and to conduct any appeal process with respect to the forgiveness of the PPP Loan; provided that Acquirer shall (a) keep the Stockholders' Agent informed of the progress of such forgiveness process and (b) consult with the Stockholders' Agent in advance of any oral or written communication with, or filing or other submission to, the PPP Lender.

4.4 Tax Matters. (a) Cooperation. After the Closing, each of Acquirer, the Stockholders' Agent and the Company shall (and the Stockholders' Agent shall cause the Company Stockholders to) cooperate fully, as and, to the extent reasonably requested by any of the others, in connection with the filing of Tax Returns of the Company and any Legal Proceeding with respect to Taxes of the Company. Such cooperation shall include the retention and (upon request therefor) the provision of records and information reasonably relevant to any such Legal Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Acquirer, the Company, and the Stockholders' Agent agree to retain all books and records with respect to Tax matters pertinent to the Company relating to any Taxable period beginning before the Closing Date until expiration of the statute of limitations of the respective taxable periods, and to abide by all applicable record retention laws, regulations and agreements entered into with any Tax Authority.

(b) Tax Returns. The Stockholders' Agent shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Company that are due on or before the Closing Date, which Tax Returns shall be prepared in accordance with existing procedures, practices, and accounting methods of the Company, unless otherwise required by Applicable Law. Acquirer shall prepare all Tax Returns of the Company that are due after the Closing Date, including for Taxable periods ending on or before the Closing Date. Acquirer shall provide income Tax Returns of the Company for any Taxable periods ending on or before the Closing Date to Stockholders' Agent at least 30 days before the due date for such Tax Returns, including any applicable extensions, for Stockholders' Agent review and comment, which comments the Acquirer shall not unreasonably refuse to incorporate in the Tax Returns as filed. Acquirer shall prepare and timely file, or cause to be prepared and timely filed, all other Tax Returns of the Company; provided that, with respect to any such Tax Returns for a Pre-Closing Tax Period with respect to which any Converting Holder may have an indemnification obligation under this Agreement, such Tax Returns shall be prepared in a manner consistent with past practice, unless required otherwise required by Applicable Law.

(c) Post-Closing Actions. Neither Acquirer nor any of its Affiliates (including, after the Closing, the Company) shall (a) amend, refile, revoke or otherwise modify any Tax Return or Tax election of the Company with respect to a Pre-Closing Tax Period, (b) extend or waive, or cause to be extended or waived, any statute of limitations or other period for the assessment of any Tax or deficiency related to any Pre-Closing Tax Period, or (c) make or change any Tax election or accounting method or practice with respect to, or that has retroactive effect to, any Pre-Closing Tax Period, in each case, without first consulting with the Stockholders' Agent and considering its comments with respect to such action in good faith and obtaining Stockholders' Agent's written consent prior to making any change that would increase any Taxes or reduce any Tax refund or Tax benefit for a Pre-Closing Tax Period.

(d) Refunds and Credits. Any Tax refund received by Acquirer or the Company (or any of their respective Affiliates) which relates to a Pre-Closing Tax Period, shall be for the account of the Converting Holders, and provided that the underlying Taxes were paid by the Company prior to the Closing Date or were indemnified by the Converting Holders under this Agreement, Buyer shall pay, or cause to be paid, to the Stockholders' Agent, for the account of the Converting Holders in accordance with such holder's Pro Rata Share, an amount equal to such refund (net of any Taxes and reasonable expenses incurred in connection with the receipt thereof). Such amounts shall be paid by Acquirer promptly after receipt or utilization thereof by bank wire transfer of immediately available funds to the accounts designated in writing by the Stockholders' Agent to Acquirer.

4.5 Director and Officer Indemnification.

(a) Until the sixth anniversary of the Closing Date, Acquirer will cause the Surviving Corporation to fulfill and honor in all respects the obligations of the Company to its present and former directors and officers determined as of immediately prior to the Effective Time (the "***Company Indemnified Parties***") pursuant to indemnification agreements with the Company in effect on the Agreement Date and pursuant to the Certificate of Incorporation or the Bylaws, in each case, in effect on the Agreement Date (the "***Company Indemnification Provisions***"), with respect to claims relating to or arising out of acts or omissions occurring at or prior to the Effective Time that are asserted after the Effective Time; provided that Acquirer's and the Surviving Corporation's obligations under this Section 4.5(a) shall not apply to (i) any claim or matter that relates to a willful or intentional breach of a representation, warranty, covenant, agreement or obligation made by or of the Company in connection with this Agreement or the Transactions or (ii) any claim based on a claim for indemnification made by an Indemnified Person pursuant to Article VI; provided that the exclusions from indemnification coverage set forth in (i) and (ii) shall not limit any of the Company Indemnified Parties' access to coverage under the D&O Tail Policy. Notwithstanding anything to the contrary contained in the Company Indemnification Provisions, no Company Indemnified Party shall be entitled to coverage under any Acquirer director and officer insurance policy or errors and omission policy unless such Company Indemnified Party is separately eligible for coverage under such policy pursuant to Acquirer's policies and procedures and the terms of such insurance policy.

(b) Prior to the Closing Date, the Company, at its sole cost and expense, shall purchase and maintain in effect for a period of at least three years following the Closing Date, without lapses in coverage, a "tail" policy providing directors' and officers' liability insurance coverage for the benefit of the those Persons who are currently covered by any comparable insurance policies of the Company as of the Agreement Date with respect to matters occurring on or prior to the Closing Date (the "***D&O Tail Policy***"). After Closing, Acquirer will reasonably cooperate with the Person's covered by the D&O Tail Policy to assist such Person's with accessing the benefits or coverage provided thereunder.

(c) This Section 4.5 (i) shall survive the consummation of the Merger, (ii) is intended to benefit each Company Indemnified Party and their respective heirs, (iii) is in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have against Acquirer or the Surviving Corporation first arising after the earlier of the Closing Date and the termination of this Agreement by contract or otherwise and (iv) shall be binding on all successors and assigns of Acquirer and the Surviving Corporation, as applicable, and shall be enforceable by the Company Indemnified Parties.

4.6 Further Action.

(a) Each party hereto shall take any actions reasonably necessary or appropriate to consummate the Transactions and fulfill the conditions to the Closing set forth herein as promptly as practicable following the Agreement Date. Each party hereto shall take any further actions reasonably necessary or desirable to carry out the purposes of this Agreement as may be reasonably requested by the other parties hereto.

(b) In furtherance and not in limitation of the terms of this Section 4.6, Acquirer and the Company shall cooperate to file, or cause to be filed, any filings and apply for any approvals or consents that are required under any Applicable Law and each of Acquirer and the Company shall, to the extent permitted under Applicable Law, (i) cooperate and coordinate, subject to all applicable privileges (including the attorney-client privilege), with the other in the making of any filings or submissions that are required to be made under any Applicable Law or requested to be made by any Governmental Entity in connection with the Transactions, (ii) supply the other or its outside counsel with any information that may be required or requested by any Governmental Entity in connection with such filings or submissions and (iii) supply any additional information that may be required or requested by the Governmental Entities in which any such filings or submissions are made under any Applicable Law as promptly as

practicable. Subject to Applicable Law relating to the exchange of information, Acquirer shall have the right (i) to direct all matters with any Governmental Entity relating to the Transactions and (ii) to review in advance, and direct the revision of, any filing, application, notification or other document to be submitted by the Company to any Governmental Entity under any Applicable Law; provided that, to the extent practicable, Acquirer shall consult with the Company and consider in good faith the views of the Company with respect to the information related to the Company that appears in any such filing, application, notification or other document.

(c) Subject to the limitations set forth in this Section 4.6(c), if any objections are asserted with respect to the Transactions under any Applicable Law or if any Legal Proceeding is instituted (or threatened to be instituted) by any Governmental Entity challenging the Transactions or that would otherwise prohibit or materially impair or delay the consummation of the Transactions, the Company and Acquirer shall use their respective reasonable best efforts to resolve any such objections or lawsuits or other proceedings (or threatened Legal Proceedings) so as to permit consummation of the Transactions. Notwithstanding anything to the contrary herein, neither Acquirer nor any of its Affiliates shall be required, in order to resolve any such objections or Legal Proceedings (or threatened Legal Proceedings) or otherwise to (i) (A) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or hold separate pending any such action, or (B) propose, negotiate or offer to effect, or consent or commit to, any such sale, lease, license, transfer, disposal, divestiture of, or other Encumbrance on, or holding separate of, before or after the Closing, any material assets, licenses, operations, rights, product lines, businesses, or interest therein of Acquirer or the Company (or any of their respective subsidiaries or other Affiliates), (ii) take or agree to take any other action or agree or consent to any material limitations or restrictions on freedom of actions with respect to, or its ability to retain, or make changes in, any such material assets, licenses, operations, rights, product lines, businesses, or interest therein of Acquirer or the Company (or any of their respective subsidiaries or other Affiliates), (iii) take or agree to take any other action or agree or consent to the holding separate of the Equity Interests of the Company or any material limitation or regulation on the ability of Acquirer or any of its Affiliates to exercise full rights of ownership of such Equity Interests, or (iv) take or agree to take any other material action that is not conditioned on the consummation of the Merger (any one or more of the foregoing actions, a "***Restraint***"). Acquirer may compel the Company to agree to any Restraint (or agree to take such Restraint) if such Restraint is effective only after the Closing. The Company may not agree to any Restraint without the prior written consent of Acquirer.

4.7 Access. Subject to Applicable Law relating to the exchange of information, the Company shall afford to Acquirer and its Representatives reasonable access during normal business hours to all of the Company's properties, books, Contracts, records and correspondence (in each case, whether in physical or electronic form) and senior management of the Company and the Company shall furnish promptly to Acquirer all material information in the Company's possession concerning the Company's businesses, properties and personnel as Acquirer may reasonably request; provided that (i) such access does not unreasonably interfere with the normal operations of the Company and (ii) nothing herein shall require the Company to provide access to, or to disclose any information to, Acquirer or any of its Representatives if such access or disclosure, in the good faith belief of the Company, would waive any legal privilege or would be in violation of Applicable Law or regulations of any Governmental Entity or the provisions of any agreement to which the Company is a party as of the Agreement Date.

4.8 Third-Party Consents; Notices.

(a) Following consultation with Acquirer, during the Pre-Closing Period, the Company shall use all reasonable efforts to obtain prior to the Closing, and deliver to Acquirer at or prior to the Closing, all consents, waivers and approvals under each Contract listed or described on Schedule 2.3(b) of the Company Disclosure Letter (and any Contract entered into after the Agreement Date that would have been required to be listed or described on Schedule 2.3(b) of the Company Disclosure Letter if entered into prior to the Agreement Date).

(b) The Company shall give all notices and other information required to be given to the employees of the Company, any collective bargaining unit representing any group of employees of the Company, and any applicable government authority under the WARN Act, the Code, COBRA and other Applicable Law in connection with the Transactions.

4.9 280G Stockholder Approval. Prior to the Closing Date (but in no event earlier than immediately following the execution of the Parachute Payment Waivers), the Company shall submit to the Company Stockholders for approval (in a manner reasonably satisfactory to Acquirer), by such number of holders of Company Stockholders as is required by the terms of Section 280G(b)(5)(B) of the Code, any payments or benefits that may separately or in the aggregate, constitute "parachute payments" pursuant to Section 280G of the Code ("***Section 280G Payments***") (which determination shall be made by the Company and shall be subject to review and approval by Acquirer, such approval not to be unreasonably withheld, conditioned or delayed), such that such payments and benefits shall not be deemed to be Section 280G Payments, and prior to the Closing, the Company shall deliver to Acquirer notification and documentation reasonably satisfactory to Acquirer that (a) a vote of the holders of Company Capital Stock was solicited in conformance with Section 280G and the regulations promulgated thereunder and the requisite stockholder approval was obtained with respect to any payments or benefits that were subject to the stockholder vote (the "***280G Stockholder Approval***") or (b) that the 280G Stockholder Approval was not obtained and as a consequence, that such payments or benefits shall not be made or provided to the extent they would cause any amounts to constitute Section 280G Payments, pursuant to the waivers of those payments or benefits that were executed by the affected individuals prior to the vote of the holders of Company Capital Stock pursuant to this Section 4.9.

4.10 Board Recommendation, Stockholder Approval. The Board shall not withhold, withdraw, amend or modify in a manner adverse to Acquirer, the recommendation of the Board that the Company Stockholders vote in favor of the adoption of this Agreement and the approval of the Merger. The Company shall take all actions necessary in accordance with this Agreement, the DGCL, the Certificate of Incorporation and the Bylaws to obtain the Company Stockholder Approval and a Written Consent and Release from each Company Stockholder. Notwithstanding the foregoing, the Board may, prior to the receipt of the Company Stockholder Approval, withhold, withdraw, amend, or modify its recommendation to the Company Stockholders if it determines in good faith by resolution duly adopted, after consultation with outside legal counsel, that it is required to do so in order to comply with its fiduciary duties under Applicable Law.

4.11 No Solicitation.

(a) During the Pre-Closing Period, the Company will not, and the Company will not authorize or permit any of its Representatives to, directly or indirectly, (i) solicit, initiate, seek, entertain, knowingly encourage, facilitate, support or induce the making, submission or announcement of any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (ii) enter into, participate in, maintain or continue any communications (except solely to provide written notice as to the existence of these provisions) or negotiations regarding, or deliver or make available to any Person any non-public information with respect to, or take any other action regarding, any inquiry, expression of interest, proposal or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (iii) agree to, accept, approve, endorse or recommend (or publicly propose or announce any intention or desire to agree to, accept, approve, endorse or recommend) any Acquisition Proposal, (iv) enter into any letter of intent or any other Contract contemplating or otherwise relating to any Acquisition Proposal, (v) submit any Acquisition Proposal to the vote of any Company Stockholders or (vi) enter into any other transaction or series of transactions not in the ordinary course of business consistent with past practice, the consummation of which would impede, interfere with, prevent or delay, or would reasonably be expected to impede, interfere with, prevent or delay, the consummation of the Merger or the Transactions. The Company will, and will cause its Representatives to, (A) immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any Persons conducted prior to or on the Agreement Date with respect to any Acquisition Proposal and (B) immediately revoke or withdraw access of any Person (other than Acquirer and its Representatives) to any data room (virtual or actual) containing any non-public information with respect to the Company in connection with an Acquisition Proposal. If any of the Company's Representatives, whether in his or her capacity as such or in any other capacity, takes any action that the Company is obligated pursuant to this Section 4.11 not to authorize or permit such Representative to take, then the Company shall be deemed for all purposes of

this Agreement to have breached this Section 4.11.

"***Acquisition Proposal***" means, with respect to the Company, any agreement, offer, proposal or *bona fide* indication of interest (other than this Agreement or any other offer, proposal or indication of interest by Acquirer), or any public announcement of intention to enter into any such agreement or of (or intention to make) any offer, proposal or *bona fide* indication of interest, relating to, or involving: (A) any acquisition or purchase from the Company, or from the Company Stockholders, by any Person or Group of more than a 10% interest in the total outstanding voting securities of the Company or any tender offer or exchange offer that if consummated would result in any Person or Group beneficially owning 10% or more of the total outstanding voting securities of the Company or any merger, consolidation, business combination or similar transaction involving the Company, (B) any sale, lease, mortgage, pledge, exchange, transfer, license (other than in the ordinary course of business consistent with past practice), acquisition, or disposition of more than 10% of the assets of the Company in any single transaction or series of related transactions, (C) any liquidation, dissolution, recapitalization or other significant corporate reorganization of the Company, or any extraordinary dividend, whether of cash or other property or (D) any other transaction outside of the ordinary course of business consistent with past practice the consummation of which would impede, interfere with, prevent or delay, or would reasonably be expected to impede, interfere with, prevent or delay, the consummation of the Merger or the other Transactions.

(b) Subject to the limitations of any confidentiality obligations of the Company existing prior to the Agreement Date, the Company shall immediately (but in any event, within 24 hours) notify Acquirer orally and in writing after receipt by the Company (or, to the knowledge of the Company, by any of the Company's Representatives), of (i) any Acquisition Proposal, (ii) any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (iii) any other notice that any Person is considering making an Acquisition Proposal or (iv) any request for non-public information relating to the Company or for access to any of the properties, books or records of the Company by any Person or Persons other than Acquirer and its Representatives. Such notice shall describe the material terms and conditions of such Acquisition Proposal, inquiry, expression of interest, proposal, offer, notice or request (but not the identity of the Person or Group making any such Acquisition Proposal, inquiry, expression of interest, proposal, offer, notice or request). The Company shall keep Acquirer fully informed of the status and details of, and any modification to, any such inquiry, expression of interest, proposal or offer and subject to the limitations of any confidentiality obligations existing prior to the Agreement Date, shall provide to Acquirer a true, correct and complete copy of such inquiry, expression of interest, proposal or offer and any amendments, correspondence and communications related thereto, if it is in writing, or a reasonable written summary thereof, if it is not in writing.

4.12 Securities Filings. The Company shall use its reasonable best efforts to: (a) upon Acquirer's request, assist Acquirer and its Representatives in the preparation of any audited historical and pro forma financial statements of the Company that may be required in connection with Acquirer's SEC reporting obligations related to this Agreement or any of the Transactions and (b) promptly furnish such information as Acquirer may reasonably request in connection with such financial statements or related to the performance of Acquirer's SEC reporting obligations relating to this Agreement or any of the Transactions.

4.13 Retention Pool. Prior to the Closing, Acquirer will establish a retention pool out of Acquirer's existing long-term incentive plan providing for the grant of options to purchase 309,500 shares of Acquirer Common Stock, to be granted to Key Employees and certain other continuing employees of the Company immediately following the Closing. Any options under the foregoing retention pool shall be allocated as determined by Acquirer following consultation with the Company. For the avoidance of doubt, the exercise price per share of an option granted from the retention pool will be no less than the price per share of Acquirer's Common Stock on the date of grant of the option.

4.14 Rule 144 Matters.

(a) With a view to making available to the Converting Holders the benefits of Rule 144 promulgated under the Securities Act and other rules and regulations of the SEC that may at any time permit the Converting Holders to sell securities of Acquirer to the public without registration, Acquirer will use commercially reasonable efforts to (i) file in a timely manner all SEC Documents and (ii) make available information necessary to comply with Rule 144 with respect to resales of the Acquirer Common Stock issued pursuant to this Agreement under the Securities Act, all to the extent required from time to time to enable the Converting Holders to sell the Acquirer Common Stock issued pursuant to this Agreement without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, as such rule may be amended from time to time.

(b) When the Acquirer Common Stock held by a Converting Holder is eligible for sale under Rule 144, Acquirer shall promptly take all commercially reasonable action requested by the Stockholders' Agent (on behalf of the Converting Holders, which requests shall be consolidated among all applicable Converting Holders and which requests shall not be made more than one time per fiscal quarter of Acquirer) in order to permit or facilitate such sale or transfer, including, without limitation, at the sole expense of the applicable Converting Holder, by (x) issuing such directions to any transfer agent, registrar or depositary, as applicable, as are reasonably necessary to facilitate such sale or transfer, (y) delivering such opinions to the transfer agent, registrar or depository as are requested by the same, and (z) taking or causing to be taken such other actions as are reasonably necessary (in each case on a timely basis) in order to (A) cause any legend, notation or similar designation restricting transferability of the Acquirer Common Stock issued to the Converting Holders pursuant to this Agreement to be removed from the book entries evidencing such Acquirer Common Stock and (B) rescind any transfer restrictions. Each Converting Holder agrees to provide Acquirer, its counsel or the transfer agent, as applicable, with the evidence reasonably requested by it to cause the removal of any such legend, including, as may be appropriate, any information Acquirer reasonably deems necessary to determine that the legend, notation or similar designation is no longer required under the Securities Act or applicable state laws, including a certification that such Converting Holder is not an Affiliate of Acquirer and regarding the length of time such Acquirer Common Stock has been held if such Acquirer Common Stock is not held of record by such Converting Holder.

4.15 Stock Exchange Matters. Acquirer shall use commercially reasonable efforts to cause the shares of Acquirer Common Stock to be issued in connection with the Merger to be listed on Nasdaq, subject to official notice of issuance, prior to the Effective Time.

ARTICLE V
Conditions Precedent

5.1 Conditions Precedent to Obligations of Acquirer and Merger Sub to the Closing The obligations of Acquirer and Merger Sub to perform and observe the covenants, agreements and conditions hereof to be performed and observed by Acquirer and Merger Sub at, or in connection with, the Closing will be subject to the satisfaction (or waiver by Acquirer) of the following conditions:

(a) Accuracy of Representations and Warranties.

(i) Each of the representations and warranties of the Company contained in this Agreement (other than in Section 2.2) shall be (without giving effect to any qualifier such as "material", "materiality", "in all material respects", "Material Adverse Effect", "material and adverse" or any similar term or phrase (other than 2.5(b)) true and correct in all material respects when made and as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all material respects as of such certain date).

(ii) Each of the representations and warranties of the Company set forth in Section 2.2 shall be true and correct in all but de minimis respects when

made and shall be true and correct in all but de minimis respects as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all material respects as of such certain date).

(b) Performance of Agreements. The Company shall have performed and complied in all material respects with each of the covenants and agreements under this Agreement that are to be performed or complied with prior to the Closing.

(c) Actions; Legality. There shall be no (i) Legal Proceeding of any kind or nature pending or overtly threatened by any Governmental Entity or (ii) material private Legal Proceeding pending, in either case against (A) Acquirer or any of its Affiliates, or against the Company or any of its Affiliates, preventing or challenging the consummation of the Merger or the other Transactions, or (B) that is or may be otherwise material to the business, financial condition or operations of the Company. The consummation of the Transactions shall be permitted by Applicable Law to which Acquirer, Merger Sub and the Company is subject.

(d) Material Adverse Effect. Since the Agreement Date, the Company shall not have experienced a Material Adverse Effect.

(e) Company Stockholder Approval. The Company Stockholder Approval shall have been duly and validly obtained, as required by the DGCL and the Certificate of Incorporation and Bylaws, each as in effect on the date of such approval.

(f) Key Employee Arrangements. Each Key Employee Document shall remain in full force and effect, and none of the Key Employees shall be unable to commence employment under his or her offer letter upon the Closing. None of the Key Employees shall have notified Acquirer or the Company that he or she is terminating (or expressed to Acquirer or the Company an intention to terminate) his or her employment with the Company, or will have stated to Acquirer or the Company an intent to revoke, rescind, or repudiate any Key Employee Document.

(g) Receipt of Closing Deliverables. The Company shall have delivered to Acquirer, at or prior to the Closing, each of the closing deliverables set forth in Section 1.2(a).

(h) Listing. The shares of Acquirer Common Stock issuable pursuant to this Agreement shall have been approved for listing on Nasdaq, subject to official notice of issuance.

5.2 Conditions Precedent to Obligations of the Company to the Closing. The obligations of the Company to perform and observe the covenants, agreements, and conditions hereof to be performed and observed by it at, or in connection with, the Closing shall be subject to the satisfaction (or waiver by the Company) of the following conditions:

(a) Accuracy of Representations and Warranties. Each of the representations and warranties of Acquirer and Merger Sub contained in this Agreement (other than Sections 3.6, 3.8 and 3.9) shall be (without giving effect to any qualifier such as "material", "materiality", "in all material respects", "Material Adverse Effect", "material and adverse" or any similar term or phrase) true and correct in all material respects when made and as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all material respects as of such certain date) and each of the representations and warranties of Acquirer and Merger Sub contained in Sections 3.6, 3.8 and 3.9 shall be (without giving effect to any qualifier such as "material", "materiality", "in all material respects", "Material Adverse Effect", "material and adverse" or any similar term or phrase) true and correct in all respects when made and as of the Closing Date as though made on and as of such date (other than representations and warranties that address matters only as of a certain date which shall be true and correct in all respects as of such certain date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Acquirer.

(b) Performance of Agreements. Acquirer and Merger Sub shall have performed and complied in all material respects with each of the covenants and agreements under this Agreement that are to be performed or complied with prior to the Closing.

(c) Actions; Legality. There shall be no (i) Legal Proceeding of any kind or nature pending or overtly threatened by any Governmental Entity or (ii) material private Legal Proceeding pending, in either case against (A) the Company or any of its Affiliates preventing or challenging the consummation of the Merger or the other Transactions, or (B) that is or may be otherwise material to the business, financial condition or operations of the Company. The consummation of the Transactions shall be permitted by Applicable Law to which Acquirer, Merger Sub and the Company is subject.

(d) Company Stockholder Approval. The Company Stockholder Approval shall have been duly and validly obtained, as required by the DGCL and the Certificate of Incorporation and Bylaws, each as in effect on the date of such approval.

(e) Receipt of Closing Deliverables. Acquirer and Merger Sub shall have delivered to the Company, at or prior to the Closing, each of the closing deliverables set forth in Section 1.2(b).

(f) Listing. The shares of Acquirer Common Stock issuable pursuant to this Agreement shall have been approved for listing on Nasdaq, subject to official notice of issuance.

ARTICLE VI
Holdback Fund and Indemnification

6.1 Holdback Fund.

(a) At the Effective Time, Acquirer shall withhold the Holdback Amount from the Total Merger Consideration issuable pursuant to Section 1.3(a) (the aggregate amount of shares of Acquirer Common Stock and cash so held by Acquirer from time to time, together with any non-taxable stock dividends declared and paid in respect of such shares, the "***Holdback Fund***"), which Holdback Fund shall be governed by this Agreement. The Holdback Fund shall constitute partial security for the benefit of Acquirer (on behalf of itself or any other Indemnified Person) with respect to any Indemnifiable Damages pursuant to the indemnification obligations of the Converting Holders under this Article VI. Subject to Section 6.5, Acquirer shall hold the Holdback Fund until 11:59 p.m. Pacific Time on the date (the "***Holdback Release Date***") that is fifteen months after the Closing Date. Except to the extent there is a cancellation of shares of Acquirer Common Stock held in the Holdback Fund in connection with the settlement of Indemnifiable Damages and subject to the terms of any applicable Vesting Agreement, shares of Acquirer Common Stock held in the Holdback Fund shall be treated by Acquirer as issued and outstanding stock of Acquirer, and the Converting Holders shall be entitled to exercise voting rights and to receive dividends with respect to such shares (other than stock dividends, which shall be withheld by Acquirer and included as part of the Holdback Fund and added thereto). The Converting Holders shall not receive interest or other earnings on the shares of Acquirer Common Stock or cash held in the Holdback Fund (other than as set forth in the immediately preceding sentence). Neither

the Holdback Fund (including any portion thereof) nor any beneficial interest therein may be pledged, subjected to any Encumbrance, sold, assigned or transferred by any Converting Holder or be taken or reached by any legal or equitable process in satisfaction of any debt or other Liability of any Converting Holder, in each case prior to the distribution of the Holdback Fund to any Converting Holder in accordance with Section 6.1(b), except that each Converting Holder shall be entitled to assign such Converting Holder's rights to such Converting Holder's Pro Rata Share of the Holdback Fund by will, to a revocable grantor trust for estate planning purposes, by the laws of intestacy or by other operation of law.

(b) Subject to the terms of any applicable Vesting Agreement, within five Business Days following the Holdback Release Date, Acquirer (or its agent) will distribute to each Converting Holder such Converting Holder's Pro Rata Share of the Holdback Fund less that portion of the Holdback Fund that is determined, in the reasonable judgment of Acquirer, to be necessary to satisfy all unsatisfied or disputed claims for indemnification applicable to such Converting Holder specified in any Claim Certificate delivered to the Stockholders' Agent on or prior to the Holdback Release Date in accordance with this Article VI, which portion shall remain in the Holdback Fund until such claims for Indemnifiable Damages have been resolved or satisfied.

6.2 Indemnification.

(a) Subject to the limitations set forth in this Article VI, from and after the Closing, each Converting Holder shall severally but not jointly indemnify, defend and hold harmless Acquirer, Merger Sub and the Surviving Corporation and their respective, officers, directors, agents and employees and each Person, if any, who controls Acquirer within the meaning of the Securities Act (each, an "***Indemnified Person***") from and against, and shall compensate and reimburse each Indemnified Person for, any and all actual or out of pocket losses, liabilities, damages, claims, fees, settlements, Taxes, interest, costs and expenses, including penalties and costs of investigation, defense and enforcement and reasonable fees and expenses of counsel, experts and other professionals, directly or indirectly, whether or not due to a Third-Party Claim (collectively, "***Indemnifiable Damages***"), related to or arising out of:

(i) any failure of any representation or warranty made by the Company herein to be true and correct (A) as of the Agreement Date (except in the case of representations and warranties that by their terms speak only as of a specified date or dates, which representations and warranties shall be true and correct as of such date or dates) or (B) as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates);

(ii) any breach of, or default in connection with, any of the covenants, agreements or obligations made by the Company herein or in any other agreements contemplated by the Transaction Documents or the Merger;

(iii) any matter set forth on Schedule 2.6 of the Company Disclosure Letter or another schedule of the Company Disclosure Letter that is or would be an exception to the representations and warranties made in Section 2.6 (Litigation) as of the Agreement Date or the Closing;

(iv) any inaccuracies in the Spreadsheet or the Company Closing Financial Certificate (including any Transaction Expenses not reflected therein or taken into account in the calculation of the Total Merger Consideration); provided that any Indemnifiable Damages related to or arising out of any inaccuracies in the Company Closing Financial Certificate shall be calculated on an aggregate basis with any other inaccuracy contained therein;

(v) any payments or issuances made with respect to Dissenting Shares to the extent that such payments or issuances, in the aggregate, exceed the value of the consideration that otherwise would have been payable and issuable (based on the Acquirer Stock Price) pursuant to Section 1.3(a)(i) upon the exchange of such Dissenting Shares, and any interest, costs, expenses and fees incurred by any Indemnified Person in connection with the exercise of any dissenters' or appraisal rights;

(vi) any claims by (A) any then-current or former holder or alleged then-current or former holder of any Equity Interests of the Company, arising out of, resulting from or in connection with (I) the Transactions or this Agreement, including the allocation of the Total Merger Consideration or any portion thereof, or (II) such Person's status or alleged status as a holder of Equity Interests of the Company at any time at or prior to the Closing, whether for breach of fiduciary duty or otherwise, (B) any Person to the effect that such Person is entitled to any Equity Interest of Acquirer or the Company or any payment in connection with the Transactions other than as specifically set forth on the Spreadsheet or (C) any Person with respect to any plan, policy or Contract providing for compensation to any Person in the form of Equity Interests in the Company; or

(vii) any fraud (which for all purposes of this Article VI shall include the element of scienter) by the Company or on behalf of the Company by the Company's officers, directors, employee, or agents under the Merger Agreement ("***Company Fraud***").

(b) Subject to the limitations set forth in this Article VI, from and after the Closing, each Converting Holder shall severally but not jointly indemnify and hold harmless the Indemnified Persons from and against any and all Indemnifiable Damages relating to or arising out of (i) any failure of any representation or warranty made by such Converting Holder in a Transaction Document to which such Converting Holder is a party to be true and correct as of the date of such Transaction Document and as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties shall be true and correct as of such date or dates), (ii) any breach of, or default in connection with, any of the covenants, agreements or obligations made by such Converting Holder in a Transaction Document to which such Converting Holder is a party and (ii) any fraud (including scienter) committed by such Converting Holder in its, his or her personal capacity ("***Converting Holder Fraud***" and collectively with Company Fraud, "***Fraud***"). The Indemnified Person(s) shall first seek satisfaction for any indemnification obligations of such Converting Holder pursuant to this Section 6.2(b) out of such Converting Holder's Pro Rata Share of the Holdback Fund.

6.3 Indemnifiable Damage Threshold; Other Limitations.

(a) Materiality standards or qualifications and qualifications by reference to the defined term "Material Adverse Effect" in any representation, warranty, covenant, agreement or obligation (other than Section 2.4(a) and Section 2.5(b)) shall not be taken into account in determining whether a failure of such representation or warranty to be true or correct, or a breach of such covenant, agreement or obligation, exists or taken into account in determining the amount of any Indemnifiable Damages with respect to such failure or breach.

(b) Except for Indemnifiable Damages relating to or arising out of (i) Fraud, (ii) any failure of the IP Representations to be true and correct and (iii) any failure of the Fundamental Representations to be true and correct, the aggregate liability of the Converting Holders for any claim pursuant to Section 6.2(a)(i) shall be limited to any remaining Holdback Fund after any claims made pursuant to Section 6.3(c) are satisfied.

(c) Except for Indemnifiable Damages relating to or arising out of (i) Fraud or (ii) any failure of the Fundamental Representations to be true and correct, the aggregate liability of the Converting Holders for any claim for any failure of the IP Representations to be true and correct shall be limited to the aggregate amount of any

remaining Holdback Fund after any claims made pursuant to Section 6.3(b) are satisfied plus an additional amount equal to 2.5% of the Total Merger Consideration if the Holdback Fund is exhausted or released.

(d) Notwithstanding anything to the contrary contained herein, (i) no Indemnified Person may make a claim in respect of any claim for Indemnifiable Damages relating to or arising out of the matters listed in Section 6.2(a)(i) (other than claims relating to or arising out of (i) Fraud or (ii) any failure of the Fundamental Representations to be true and correct) unless and until a Claim Certificate (together with any other delivered Claim Certificates) describing Indemnifiable Damages in an aggregate amount greater than 1% of the Total Merger Consideration (the "***Tipping Basket***") has been delivered, in which case Acquirer may make claims for indemnification, compensation and reimbursement and may receive shares of Acquirer Common Stock and cash from the Holdback Fund for the full amount of all such Indemnifiable Damages for such matters. The Tipping Basket shall not apply to any other Indemnifiable Damages.

(e) In the case of any claims for Indemnifiable Damages relating to or arising out of (i) any failure of the Fundamental Representations to be true or correct or (ii) any other claim that is not made pursuant to Section 6.2(a)(i) (collectively, "***Special Claims***"), after Indemnified Persons have exhausted or made claims upon all shares of Acquirer Common Stock and cash held in the Holdback Fund (after taking into account all other claims for indemnification, compensation and reimbursement from the Holdback Fund made by Indemnified Persons), or following the Holdback Release Date, each Converting Holder shall have Liability for such Converting Holder's Pro Rata Share of the amount of any Indemnifiable Damages resulting therefrom. Notwithstanding anything to the contrary contained herein, (i) the total Liability of a Converting Holder for Special Claims shall be limited to the aggregate amount of the Total Merger Consideration issued or issuable to such Converting Holder (inclusive of the Holdback Amount and any claims made against the Holdback Amount); provided that for purposes of calculating the maximum Liability of a Converting Holder, shares of Acquirer Common Stock that are forfeited under the terms of an applicable Vesting Agreement shall count towards satisfaction of such maximum Liability and (ii) any limitation of Liability in this Section 6.3(e) shall not apply in the case of Fraud committed by such Converting Holder. The total Liability for the Acquirer or Surviving Corporation for any claims by a Converting Holder Indemnified Persons under this Agreement shall be equal to the Total Merger Consideration.

(f) Notwithstanding anything to the contrary contained herein, the amounts that an Indemnified Person recovers from the Holdback Fund pursuant to Special Claims or Converting Holder Claims shall not reduce the amount that an Indemnified Person may recover with respect to claims that are not Special Claims or Converting Holder Claims. By way of illustration and not limitation, assuming there are no other claims for indemnification, compensation or reimbursement, in the event that Indemnifiable Damages resulting from a Special Claim are first satisfied from the Holdback Fund and such recovery fully depletes the Holdback Fund, the maximum amount recoverable by an Indemnified Person pursuant to a subsequent claim that is not a Special Claim shall continue to be the full dollar value of the Holdback Fund (based on the Acquirer Stock Price for the applicable portion of the Holdback Fund made up of shares of Acquirer Common Stock) irrespective of the fact that the Holdback Fund was used to satisfy such Special Claim, such that the amount recoverable for such two claims would be the same regardless of the chronological order in which they were made. Similarly, by way of illustration and not limitation, in the event that Indemnifiable Damages resulting from a Converting Holder Claim are first satisfied out of such Converting Holder's Pro Rata Share of the Holdback Fund, the maximum amount recoverable by an Indemnified Person pursuant to a subsequent claim that is not a Converting Holder Claim shall continue to be the full value of such Converting Holder's Pro Rata Share of the applicable Indemnifiable Damages, irrespective of the fact that the Holdback Fund was used to satisfy such Converting Holder Claim, such that the amount recoverable for such two claims would be the same regardless of the chronological order in which they were made or whether recovery is made from the Holdback Fund or directly against such Converting Holder

(g) Notwithstanding anything to the contrary contained herein, (i) no Converting Holder shall have any right of indemnification, compensation, reimbursement, contribution or right of advancement from Acquirer, the Surviving Corporation or any other Indemnified Person (based upon such Converting Holder's position as an officer, director, employee or agent of any Acquired Company or otherwise) with respect to any Indemnifiable Damages claimed by any Indemnified Person or any right of subrogation against the Company or the Surviving Corporation with respect to any indemnification, compensation or reimbursement of an Indemnified Person by reason of any of the matters set forth in Section 6.2(a), (ii) the rights and remedies of the Indemnified Persons after the Effective Time shall not be limited by (x) any investigation by or on behalf of, or disclosure to (other than in the Company Disclosure Letter with respect to Section 6.2(a)(i), subject to any limitations expressly set forth therein), any Indemnified Person at or prior to the Effective Time regarding any failure, breach or other event or circumstance or (y) any waiver of any condition to the Closing related thereto, (iii) if an Indemnified Person's claim under this Article VI may be properly characterized in multiple ways in accordance with this Article VI such that such claim may or may not be subject to different limitations depending on such characterization, then such Indemnified Person shall have the right to characterize such claim in a manner that maximizes the recovery and time to assert such claim permitted in accordance with this Article VI; provided that, for the avoidance of doubt, in no event shall any Indemnified Person be entitled to duplicative recovery for any claims for indemnity under this Agreement and (iv) no Converting Holder shall be liable for any Converting Holder Claim of another Converting Holder.

(h) Subject to Section 8.9 and except in connection with any claim for Fraud, following the Closing, this Article VI shall be the sole and exclusive monetary remedy of the Indemnified Persons for any claims arising under this Agreement.

6.4 Period for Claims; Survival Period.

(a) The period (each, as applicable, a "***Claims Period***") during which claims may be made, and period for which the representations and warranties will survive, is (i) for Indemnifiable Damages relating to or arising out of the matters listed in Section 6.2(a)(i) (other than with respect to any of the Fundamental Representations, the IP Representations or in the case of Fraud) shall commence at the Closing and terminate at 11:59 p.m. Pacific Time on the Holdback Release Date and (ii) for Indemnifiable Damages relating to or arising out of all other matters shall commence at the Closing and terminate at 11:59 p.m. Pacific Time on the date that is (A) in the case of claims for Indemnifiable Damages relating to or arising out of (I) the failure of any of the representations and warranties made by the Company in Section 2.12 (Taxes) to be true and correct or (II) Pre-Closing Taxes, in each case, 60 days following the expiration of the applicable statute of limitations, (B) the failure of any of the IP Representations to be true and correct, the date that is 24 months following the Closing Date and (C) in all other cases, 60 days following the expiration of the applicable statute of limitations; provided, further, that (x) no right to indemnification pursuant to Article VI in respect of any claim that is set forth in a Claim Certificate delivered on or prior to the expiration of such representations and warranties shall be affected by such expiration and (y) that such expiration shall not affect the rights of any Indemnified Person under Article VI or otherwise to seek recovery of Indemnifiable Damages relating to or arising out of Fraud.

(b) The representations and warranties made by Acquirer and Merger Sub herein shall survive for twelve months after Closing Date at which time such representations and warranties shall expire and be of no further force or effect.

(c) All covenants, agreements and obligations of the parties hereto shall expire and be of no further force or effect as of the Closing, except to the extent such covenants, agreements and obligations provide that they are to be performed after the Closing.

(d) Notwithstanding anything to the contrary contained herein, such portion of the Holdback Fund that is necessary to satisfy any unresolved or unsatisfied claims for Indemnifiable Damages specified in any valid Claim Certificate delivered to the Stockholders' Agent on or prior to the Holdback Release Date shall remain in the Holdback Fund until such claims for Indemnifiable Damages have been resolved or satisfied.

6.5 Claims.

(a) From time to time during the Claims Period, Acquirer agrees that promptly after it becomes aware of facts giving rise to a claim by it for indemnification pursuant to this Article VI or circumstances which, with the lapse of time, Acquirer reasonably believes is likely to give rise to a claim by it for indemnification pursuant to this Article VI, Acquirer must assert such claim for indemnification under this Article VI (each, an "***Indemnification Claim***") by providing a written notice ("***Claim Certificate***") to the Stockholders' Agent:

(i) stating that an Indemnified Person has incurred, paid, reserved or accrued, or in good faith believes that it will incur, pay, reserve or accrue, Indemnifiable Damages;

(ii) stating the amount of such Indemnifiable Damages (which, in the case of Indemnifiable Damages not yet incurred, paid, reserved or accrued, may be the maximum amount believed by Acquirer in good faith to be incurred, paid, reserved, accrued or demanded by a third party); and

(iii) specifying in reasonable detail (based upon the information then possessed by Acquirer) the individual items of such Indemnifiable Damages included in the amount so stated and the nature of the claim to which such Indemnifiable Damages are related (e.g., the underlying representation or warranty alleged to have been untrue or incorrect or covenant or agreement alleged to have been breached).

(b) Such Claim Certificate (i) need only specify such information to the knowledge of Acquirer as of the date thereof, (ii) shall not limit any of the rights or remedies of any Indemnified Person with respect to the underlying facts and circumstances specifically set forth in such Claim Certificate and (iii) may be updated and amended from time to time by Acquirer by delivering any updated or amended Claim Certificate, so long as the delivery of the original Claim Certificate is made within the applicable Claims Period and such update or amendment relates to the underlying facts and circumstances specifically set forth in such original Claims Certificate; provided that all claims for Indemnifiable Damages properly set forth in a Claim Certificate or any update or amendment thereto shall remain outstanding until such claims have been resolved or satisfied, notwithstanding the expiration of such Claims Period. No delay in providing such Claim Certificate within the applicable Claims Period shall affect an Indemnified Person's rights hereunder, unless (and then only to the extent that) the Stockholders' Agent or the Converting Holders are materially prejudiced thereby.

6.6 Resolution of Objections to Indemnification Claims.

(a) If the Stockholders' Agent does not contest, by written notice Acquirer, any claim or claims by an Indemnified Person made in any Claim Certificate within the 30 day period following receipt of the Claim Certificate, then Acquirer shall be awarded a number of shares of Acquirer Common Stock and an amount in cash from the Holdback Fund having a total value equal to the amount of any Indemnifiable Damages corresponding to such claim or claims as set forth in such Claim Certificate; provided that the per share value of any shares of Acquirer Common Stock distributed to satisfy any claims in a Claim Certificate under this Article VI shall be the 20 day volume weighted average price of a share of Acquirer Common Stock on the Nasdaq Capital Market, ending on the date that the Indemnifiable Damages are finally determined.

(b) If the Stockholders' Agent objects in writing to any claim or claims by Acquirer made in any Claim Certificate within the 30 day period set forth in Section 6.6(a), Acquirer and the Stockholders' Agent shall attempt in good faith for 45 days after Acquirer's receipt of such written objection to resolve such objection.

(c) If no such agreement can be reached during the 45 day period for good faith negotiation set forth in Section 6.6(b), but in any event upon the expiration of such 45 day period, either Acquirer or the Stockholders' Agent may bring an arbitration in accordance with the terms of Section 8.10 to resolve the matter. The decision of the arbitrator as to the validity and amount of any claim in such Claim Certificate shall be non-appealable, binding and conclusive upon the parties hereto. Judgment upon any determination of an arbitrator may be entered in any court having jurisdiction. The non-prevailing party to an arbitration shall pay its own fees and expenses and the fees and expenses of the prevailing party, including attorneys' fees and costs, reasonably incurred in connection with such suit.

(d) Any portion of the Holdback Fund held following the Holdback Release Date with respect to pending but unresolved claims for indemnification that is not awarded to Acquirer upon the resolution of such claims shall be distributed to the Converting Holders within five Business Days following resolution of such claims and in accordance with each such Converting Holder's Pro Rata Share of such portion of the Holdback Fund.

6.7 Third-Party Claims.

(a) In the event Acquirer becomes aware of a claim by a third party (a "***Third-Party Claim***") that Acquirer in good faith believes may result in a claim for Indemnifiable Damages by or on behalf of an Indemnified Person, Acquirer shall have the right in its sole discretion to conduct the defense of and to settle or resolve such Third-Party Claim. The costs and expenses incurred by Acquirer in connection with such defense, settlement, enforcement or resolution (including reasonable attorneys' fees, other professionals' and experts' fees and court or arbitration costs) shall be included in the Indemnifiable Damages for which Acquirer shall be entitled to receive indemnification pursuant to a claim made hereunder; provided that any settlement of a Third-Party Claim (i) without the prior written consent of the Stockholders' Agent (which consent shall not be unreasonably withheld, conditioned or delayed and which consent shall be deemed to have been given unless the Stockholders' Agent shall have objected within 20 days after a written request therefor by Acquirer) or (ii) absent an underlying breach by the Company of a representation, warranty or covenant under this Agreement shall not be determinative of the existence of a valid claim or the amount of Indemnifiable Damages.

(b) The Stockholders' Agent shall have the right to receive copies of all pleadings, notices and communications with respect to such Third-Party Claim, and be entitled, at its own cost, to participate in the defense of any such Third-Party Claim, in each case to the extent that receipt of such documents and the participation in such defense does not affect any privilege relating to any Indemnified Person, subject to execution by the Stockholders' Agent of Acquirer's (and, if required, such third party's) standard non-disclosure agreement to the extent that such materials contain confidential or propriety information. However, Acquirer shall have the right in its sole discretion to determine and conduct the defense of any Third-Party Claim and the settlement, adjustment or compromise of such Third-Party Claim.

(c) In the event that the Stockholders' Agent has consented to the amount of any settlement or resolution by Acquirer of any such claim (which consent shall not be unreasonably withheld, conditioned or delayed and which consent shall be deemed to have been given unless the Stockholders' Agent shall have objected within 20 days after a written request therefor by Acquirer), or if the Stockholders' Agent shall have been determined to have unreasonably withheld, conditioned or delayed its consent to the amount of any such settlement or resolution, neither the Stockholders' Agent nor any Converting Holder shall have any power or authority to object under this Article VI to the amount of any claim by or on behalf of any Indemnified Person against the Holdback Fund for indemnity with respect to such settlement or resolution.

(d) Notwithstanding anything to the contrary in this Agreement, Acquirer will not be permitted to settle, take any corrective or remedial action or enter into an agreed judgment or consent decree with respect to a Third-Party Claim that does not unconditionally release the Indemnified Persons from all liabilities and obligations with respect to such Indemnification Claim.

6.8 Treatment of Indemnification Payments. Acquirer, the Stockholders' Agent and the Converting Holders agree to treat (and cause their respective Affiliates to treat) any payment received by the Indemnified Persons pursuant to this Article VI as adjustments to the Total Merger Consideration for all Tax purposes to the maximum extent permitted by Applicable Law.

6.9 Limitation of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, NO PARTY NOR ANY OF ITS AFFILIATES WILL BE LIABLE FOR THE FOLLOWING ("***NON-REIMBURSABLE LOSSES***"): SPECIAL, PUNITIVE, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES; PROVIDED THAT ANY FINALLY DETERMINED CONSEQUENTIAL LOSSES PAYABLE TO NON-AFFILIATE THIRD PARTIES PURSUANT A THIRD-PARTY INDEMNIFICATION CLAIM WILL NOT BE DEEMED NON-REIMBURSABLE LOSSES.

ARTICLE VII
Termination

7.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Acquirer and the Company;

(b) by Acquirer or the Company if the Closing has not occurred on or before the date that is 30 days after the Agreement Date;provided that if either Acquirer or the Company is then in breach of this Agreement, and such breach shall have been the cause of the failure of the Closing to occur by such date, then Acquirer or the Company, as the case may be, may not terminate this Agreement pursuant to this Section 7.1(b);

(c) by Acquirer, by written notice to the Company, if there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement or obligation of, the Company herein and such inaccuracy or breach shall not have been cured within 30 days after receipt by the Company of written notice of such inaccuracy or breach and, if not cured within such period and at or prior to the Closing, such inaccuracy or breach would result in the failure of any of the conditions set forth in Article V to be satisfied; provided that no such cure period shall be available or applicable to any such breach that by its nature cannot be cured;

(d) by the Company, by written notice to Acquirer, if there shall have been an inaccuracy in any representation or warranty made by, or a breach of any covenant, agreement or obligation of, Acquirer herein and such inaccuracy or breach shall not have been cured within 30 days after receipt by Acquirer of written notice of such inaccuracy or breach and, if not cured within such period and at or prior to the Closing, such breach would result in the failure of any of the conditions set forth in Article V to be satisfied; provided that no such cure period shall be available or applicable to any such inaccuracy or breach that by its nature cannot be cured; or

(e) by Acquirer, if the Company has not obtained a Written Consent and Release executed by a number of Company Stockholders satisfying the Company Stockholder Approval and complying with all of the provisions of the DGCL and the Certificate of Incorporation and the Bylaws at or prior to the time that is four Business Days following the execution and delivery of this Agreement.

7.2 Effect of Termination. In the event of termination of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given by the terminating party to the other parties, and this Agreement shall thereupon terminate and become void and have no further force or effect, and the Transactions shall be abandoned without further action by the parties hereto. Notwithstanding anything to the contrary herein, Section 8.13(b), this Section 7.2 and Article VIII shall survive indefinitely, and nothing herein shall relieve any party hereto of any Liability for Fraud or any willful breach of this Agreement occurring prior to such termination.

ARTICLE VIII
General Provisions

8.1 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial delivery service, or mailed by registered or certified mail (return receipt requested) or sent via facsimile or electronic mail (in each case, if provided below and with automated or personal confirmation of receipt) to the parties hereto at the following address (or at such other address for a party as shall be specified by like notice):

(i) if to Acquirer or Merger Sub, to:

Versus Systems Inc.
6701 Center Drive West, Suite 480
Los Angeles, CA 90445
Attention: Matthew Pierce
Telephone No.: (310) 242-0228
Email: pierce@versussystems.com
with a copy (which shall not constitute notice) to:

Fenwick & West LLP
Silicon Valley Center
801 California Street
Mountain View, CA 94041
Attention: Kris Withrow
Sarah Chambless
Telephone No.: (650) 938-5200
Email: kwithrow@fenwick.com
schambless@fenwick.com

(ii) if to the Company, to:

Xcite Interactive, Inc.
3545 W 12th St, #201
Greeley, CO 80634
Attention: Sean Hopkins, CEO

Telephone No.: (913) 485-4060
Email: shopkins@xcitelive.com
jreichl@xcitelive.com

with a copy (which shall not constitute notice) to:

Clark Hill PLC
2301 Broadway
San Antonio, TX 78215
Attention: Joe Struble
Telephone No.: (210) 250-6148
Email: jstruble@clarkhill.com

(iii) If to the Stockholders' Agent, to:

Front Range Ventures, LLC
200N 53rd Ave
Greeley, CO 80634
Attention: Matt Lauer
Telephone No.: (410) 215-3515
Email: lauer.matthewp@gmail.com

with a copy (which shall not constitute notice) to:

Clark Hill PLC
2301 Broadway
San Antonio, TX 78215
Attention: Joe Struble
Telephone No.: (210) 250-6148
Email: jstruble@clarkhill.com

Any notice given as specified in this Section 8.1 (i) if delivered personally or sent by facsimile (with evidence of delivery) or electronic mail transmission (provided that the sender of such email does not receive a written notification of delivery failure) shall conclusively deemed to have been given or served at the time of dispatch if sent or delivered on a Business Day or, if not sent or delivered on a Business Day, on the next following Business Day and (ii) if sent by commercial delivery service or mailed by registered or certified mail (return receipt requested) shall conclusively be deemed to have been received on the third Business Day after the post of the same.

8.2 Interpretation. When a reference is made herein to Articles, Sections, subsections, Schedules or Exhibits, such reference shall be to an Article, Section or subsection of, or a Schedule or an Exhibit to this Agreement unless otherwise indicated. The headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." Where a reference is made to a Contract, instrument or Applicable Law, such reference is to such Contract, instrument or Applicable Law as amended, modified or supplemented, including (in the case of Contracts or instruments) by waiver or consent and (in the case of Applicable Law) by succession of comparable successor Applicable Law and references to all attachments thereto and instruments incorporated therein. Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender and neutral forms of such words, (ii) words using the singular or plural number also include the plural or singular number, respectively, (iii) the terms "hereof," "herein," "hereto," "hereunder" and derivative or similar words refer to this entire Agreement, (iv) references to clauses without a cross-reference to a Section or subsection are references to clauses within the same Section or, if more specific, subsection, (v) references to a series of clauses are inclusive of the endpoint clauses (e.g., "clause (x) through (y)" is inclusive of clauses (x) and (y)), (vi) references to any Person include the predecessors, successors and permitted assigns of that Person, (vii) references from or through any date shall mean, unless otherwise specified, from and including or through and including, respectively, (viii) subject to clause (ix), the phrases "provide to," "made available" and "deliver to" and phrases of similar import mean that a true, correct and complete paper or electronic copy of the information or material referred to has been delivered to the party to whom such information or material is to be provided and (ix) the phrase "made available to Acquirer" and phrases of similar import means, with respect to any information, document or other material of the Company or its Affiliates, that such information, document or material was made available for review and properly indexed by the Company and its Representatives in the virtual data room established by Acquirer in connection with this Agreement at least 48 hours prior to the execution of this Agreement or actually delivered (whether by physical or electronic delivery) to Acquirer or its Representatives at least 48 hours prior to the execution of this Agreement. The symbol "$" refers to United States Dollars. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends and such phrase shall not mean simply "if." All references to "days" shall be to calendar days unless otherwise indicated as a "Business Day." Any action otherwise required to be taken on a day that is not a Business Day shall instead be required to be taken on the next succeeding Business Day, and if the last day of a time period is a non-Business Day, such period shall be deemed to end on the next succeeding Business Day. Unless indicated otherwise, all mathematical calculations contemplated by this Agreement shall be rounded to the fifth decimal place, except in respect of payments, which shall be rounded to the nearest whole United States cent.

8.3 Amendment. Subject to Applicable Law, the parties hereto may amend this Agreement by authorized action at any time prior to the Closing pursuant to an instrument in writing signed on behalf of each of the parties hereto; provided that after the Company Stockholder Approval is obtained, no amendment shall be made to this Agreement that by Applicable Law requires further approval by the Company Stockholders without such further approval. To the extent permitted by Applicable Law, Acquirer and the Stockholders' Agent may cause this Agreement to be amended at any time after the Closing by execution of an instrument in writing signed on behalf of Acquirer and the Stockholders' Agent.

8.4 Extension; Waiver. At any time after the Closing, Acquirer and the Stockholders' Agent may, to the extent legally allowed, (A) extend the time for the performance of any of the obligations of the other owed to such party, (B) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto or (C) waive any breaches of any of the covenants, agreements, obligations or conditions for the benefit of such party contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing that is (I) prior to the Closing with respect to the Company and/or the Company Securityholders, signed by the Company, (II) after the Closing with respect to the Converting Holders and/or the Stockholders' Agent, signed by the Stockholders' Agent and (III) with respect to Acquirer and/or Merger Sub, signed by Acquirer. Without limiting the generality or effect of the preceding sentence, no failure to exercise or delay in exercising any right under this Agreement shall constitute a waiver of such right, and no waiver of any breach or default shall be deemed a waiver of any other breach or default of the same or any other provision herein.

8.5 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto; it being understood and agreed that all parties hereto need not sign the same counterpart. The delivery by facsimile or by electronic delivery in PDF format (including any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) of this Agreement with all executed signature pages (in counterparts or otherwise) shall be sufficient to bind the parties hereto to the terms and conditions set forth herein. All of the counterparts will together constitute one and the same instrument and each counterpart will constitute an original of this Agreement.

8.6 Entire Agreement; Parties in Interest. This Agreement and the documents and instruments and other agreements specifically referred to herein or delivered pursuant hereto, including all the exhibits attached hereto, the Schedules, including the Company Disclosure Letter, (a) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties hereto with respect to the subject matter hereof, except for the Confidentiality Agreement, which shall continue in full force and effect, and shall survive any termination of this Agreement, in accordance with its terms and (b) are not intended to confer, and shall not be construed as conferring, upon any Person other than the parties hereto any rights or remedies hereunder (except that Article VI is intended to benefit the Indemnified Persons and Section 4.5 is intended to benefit the Company Indemnified Parties).

8.7 Assignment. Neither this Agreement nor any of the rights and obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties hereto, and any such assignment without such prior written consent shall be null and void, except that Acquirer and/or Merger Sub may assign its rights and delegate its obligations under this Agreement to any direct or indirect wholly owned subsidiary of Acquirer without the prior consent of any other party hereto; provided that notwithstanding any such assignment, Acquirer and/or Merger Sub, as applicable, shall remain liable for all of its obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and assigns.

8.8 Severability. In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall be interpreted so as reasonably necessary to effect the intent of the parties hereto. The parties hereto shall use all reasonable efforts to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

8.9 Remedies Cumulative; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party hereto shall be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party hereto of any one remedy shall not preclude the exercise of any other remedy and nothing herein shall be deemed a waiver by any party hereto of any right to specific performance or injunctive relief. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity, and the parties hereto hereby waive the requirement of any posting of a bond in connection with the remedies described herein.

8.10 Arbitration; Submission to Jurisdiction; Consent to Service of Process.

(a) EXCEPT FOR CLAIMS SEEKING THE REMEDY OF INJUNCTION OR SPECIFIC PERFORMANCE, IN THE EVENT THAT A RESOLUTION IS NOT REACHED AMONG THE PARTIES HERETO WITHIN 60 DAYS AFTER WRITTEN NOTICE OF ANY DISPUTE WITH RESPECT TO THIS AGREEMENT, SUCH DISPUTE SHALL BE FINALLY SETTLED BY BINDING ARBITRATION. THE SEAT, OR LEGAL PLACE, OF ARBITRATION SHALL BE WILMINGTON, DELAWARE. SUCH ARBITRATION SHALL BE CONDUCTED IN ENGLISH IN ACCORDANCE WITH THE COMPREHENSIVE ARBITRATION RULES AND PROCEDURES OF THE JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. (CURRENTLY IN EFFECT) BY ONE ARBITRATOR APPOINTED IN ACCORDANCE WITH SUCH RULES. THE PARTIES ACKNOWLEDGE THAT THIS AGREEMENT EVIDENCES A TRANSACTION INVOLVING INTERSTATE COMMERCE. NOTWITHSTANDING THE PROVISION IN SECTION 8.11 WITH RESPECT TO APPLICABLE SUBSTANTIVE LAW, ANY ARBITRATION CONDUCTED PURSUANT TO THE TERMS OF THIS AGREEMENT SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C., SECS. 1-16). THE ARBITRATOR SHALL ALLOW SUCH DISCOVERY AS IS APPROPRIATE TO THE PURPOSES OF ARBITRATION IN ACCOMPLISHING A FAIR, SPEEDY AND COST-EFFECTIVE RESOLUTION OF THE DISPUTE. THE AWARD OF ARBITRATION SHALL BE FINAL AND BINDING UPON THE PARTIES HERETO. THE ARBITRATOR WILL AWARD TO THE PREVAILING PARTY ALL COSTS, FEES AND EXPENSES RELATED TO THE ARBITRATION, INCLUDING REASONABLE FEES AND EXPENSES OF ATTORNEYS, ACCOUNTANTS AND OTHER PROFESSIONALS INCURRED BY THE PREVAILING PARTY , AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF.

(b) Subject to the foregoing, the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of the Chancery Court of the State of Delaware and any state appellate court therefrom or, if (but only if) such court lacks subject matter jurisdiction, the United States District Court sitting in New Castle County in the State of Delaware and any appellate court therefrom (collectively, the "***Delaware Courts***"), in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to herein, and in respect of the Transactions, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or thereof, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such Delaware Courts. The parties hereto hereby consent to and grant any such court jurisdiction over the person of such parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.1 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof. A party hereto may apply either to a court of competent jurisdiction or to an arbitrator, if one has been appointed, for prejudgment remedies and emergency relief pending final determination of a claim pursuant to this Section 8.10. The appointment of an arbitrator does not preclude a party hereto from seeking prejudgment remedies and emergency relief from a court of competent jurisdiction.

8.11 Governing Law. This Agreement, all acts and transactions pursuant hereto and all obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware without reference to such state's principles of conflicts of law that would refer a matter to a different jurisdiction.

8.12 WAIVER OF JURY TRIAL. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATION OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8.13 Stockholders' Agent.

(a) At the Closing, Front Range Ventures, LLC shall be constituted and appointed as the Stockholders' Agent. The Stockholders' Agent shall be the agent for and on behalf of the Converting Holders to: (i) execute, as the Stockholders' Agent, this Agreement and the Transaction Documents, (ii) give and receive notices, instructions and communications permitted or required under this Agreement or and the Transaction Documents, for and on behalf of any Converting Holder, to or from Acquirer (on behalf of itself or any other Indemnified Person) relating to this Agreement or the Transaction Documents (except to the extent that this Agreement expressly contemplates that any such notice or communication shall be given or received by each Converting Holder individually), (iii) review, negotiate and agree to and authorize Acquirer to cancel a number of shares of Acquirer Common Stock held in the Holdback Fund in satisfaction of claims asserted by Acquirer (on behalf of itself or any other Indemnified Person, including by not objecting to such claims) pursuant to Article VI, (iv) object to such claims pursuant to Section 6.6, (v) consent or agree to, negotiate, enter into, or, if applicable, contest, prosecute or defend, settlements and compromises of, and demand arbitration and comply with Orders of courts and awards of arbitrators with respect to, such claims, resolve any such claims, take any actions in connection with the resolution of any dispute relating hereto or to the Transactions by arbitration, settlement or otherwise, and take or forego any or all actions permitted or required of any Converting Holder or necessary in the judgment of the Stockholders' Agent for the accomplishment of the foregoing and all of the other terms, conditions and limitations of this Agreement, (vi) consult with legal counsel, independent public accountants and other experts selected by it, solely at the cost and expense of the Converting Holders, (vii) consent or agree to any amendment to this Agreement or to waive any terms and conditions of this Agreement providing rights or benefits to the Converting Holders (other than with respect to the payment and issuance of the Total Merger Consideration less the Holdback Amount) in accordance with the terms hereof and in the manner provided herein, (vii) disburse to the Converting Holders their share of any cash amounts payable under this Agreement, including any closing cash consideration, Tax refund, and (viii) take all actions necessary or appropriate in the judgment of the Stockholders' Agent for the accomplishment of the foregoing, in each case without having to seek or obtain the consent of any Person under any circumstance. Acquirer, Merger Sub and their respective Affiliates (including after the Effective Time, the Surviving Corporation) shall be entitled to rely on the appointment of Front Range Ventures, LLC as the Stockholders' Agent and treat such Stockholders' Agent as the duly appointed attorney-in-fact of each Converting Holder and has having the duties, power and authority provided for in this Section 8.13. The Converting Holders shall be bound by all actions taken and documents executed by the Stockholders' Agent in connection with this Agreement, and Acquirer and other Indemnified Persons shall be entitled to rely exclusively on any action or decision of the Stockholders' Agent. The Person serving as the Stockholders' Agent may be removed or replaced from time to time, or if such Person resigns from its position as the Stockholders' Agent, then a successor may be appointed, by the holders of a majority in interest of the aggregate number of shares of Acquirer Common Stock then held in the Holdback Fund (or, in the event that there are no shares then held in the Holdback Fund, by the Converting Holders collectively having a Pro Rata Share greater than 50%) upon not less than 30 days' prior written notice to Acquirer. No bond shall be required of the Stockholders' Agent.

(b) The Stockholders' Agent shall not be liable to any Converting Holder for any act done or omitted hereunder as the Stockholders' Agent while acting in good faith (and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith) and without gross negligence or willful misconduct. The Stockholders' Agent shall be provided $25,000 for its services and as a retainer to cover any expenses ("***Stockholders' Agent Fee***"); provided that the Converting Holders shall severally but not jointly indemnify the Stockholders' Agent and hold it harmless against any loss, Liability or expense incurred without gross negligence or willful misconduct on the part of the Stockholders' Agent and arising out of, resulting from or in connection with the acceptance or administration of its duties hereunder, including all reasonable out-of-pocket costs and expenses and legal fees and other legal costs reasonably incurred by the Stockholders' Agent, and any expenses that exceed the Stockholders' Agent Fee. The Stockholders' Agent Fee shall be considered earned on the Holdback Release Date and any amount not disbursed to cover expenses shall be the property of the Stockholders' Agent. If the Stockholders' Agent costs are not paid directly to the Stockholders' Agent by the Converting Holders, then such losses, Liabilities or expenses, including the entirety of the expended amount of the Stockholders' Agent Fee may be recovered by the Stockholders' Agent from the portion of the Holdback Fund otherwise distributable to the Converting Holders (and not distributed or distributable to an Indemnified Person or subject to a pending claim of an Indemnified Person) on or after the Holdback Release Date pursuant to the terms hereof, at the time of distribution, and such recovery will be made from the Converting Holders according to their respective Pro Rata Shares of such losses, Liabilities or expenses.

(c) After the Closing, any notice or communication given or received by, and any decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, the Stockholders' Agent that is within the scope of the Stockholders' Agent's authority under Section 8.13(a) shall constitute a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of all the Converting Holders and shall be final, binding and conclusive upon each such Converting Holder; and Acquirer shall be entitled to rely exclusively upon any such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction as being a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, each and every such Converting Holder. Acquirer, Merger Sub, the Surviving Corporation and the Indemnified Persons are hereby relieved from any Liability to any Person for any acts done by them in accordance with such notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of the Stockholders' Agent.

8.14 Representation by Counsel; Conflict Waiver; Attorney Client Privilege.

(a) Each of the parties agrees that it has been represented by independent counsel of its choice during the negotiation and execution of this Agreement and the documents referred to herein, and that it has executed the same upon the advice of such independent counsel. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto shall be deemed the work product of the parties and may not be construed against any party by reason of its preparation. Therefore, the parties waive the application of any Applicable Law providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

(b) Each of the parties hereto acknowledges and agrees, on its own behalf and on behalf of its directors, managers, members, shareholders, partners, officers, employees, and Affiliates, that:

(i) Clark Hill PLC, has acted as counsel to the Company and Stockholders' Agent in connection with the negotiation, preparation, execution, and delivery of this Agreement and the consummation of the Transactions. Acquirer agrees, and shall cause the Surviving Corporation to agree, that, following consummation of the Transactions, such representation and any prior representation of the Company and the Stockholders' Agent by Clark Hill PLC (or any successors) (the "***Company Law Firm***") shall not preclude the Company Law Firm from serving as counsel to the Stockholders' Agent, any of its Affiliates, or any director, manager, member, shareholder, partner, officer, or employee of the Company, in connection with any litigation, claim, or obligation arising out of or relating to this Agreement or the Transactions.

(ii) Acquirer shall not, and after the Closing Date shall cause the Surviving Corporation not to, seek or have the Company Law Firm disqualified from any such representation based on the prior representation of the Company and the Stockholders' Agent by the Company Law Firm. Each of the parties hereto hereby consents thereto and waives any conflict of interest arising from such prior representation, and each of such parties shall cause any of its Affiliates to consent to waive any conflict of interest arising from such representation. Each of the parties acknowledges that such consent and waiver is voluntary, that it has been carefully considered, and that the parties have consulted with counsel or have been advised they should do so in connection herewith. The covenants, consent, and waiver

contained in this Section 8.14 shall not be deemed exclusive of any other rights to which they are entitled whether pursuant to Applicable Law, Contract, or otherwise.

(c) All communications between the Company and the Stockholders' Agent on the one hand, and Company Law Firm, on the other hand, relating to the negotiation, preparation, execution, and delivery of this Agreement and the consummation of the Transactions (the "***Privileged Communications***") shall be deemed to be attorney-client privileged and the expectation of client confidence relating thereto shall belong solely to the Company Stockholders' Agent (on behalf of the Company Stockholders) and shall not pass to or be claimed by Acquirer or the Company as the Surviving Corporation. Accordingly, Acquirer and the Company shall not have access to any Privileged Communications or to the files of the Company Law Firm relating to such engagement from and after the occurrence of the Closing and may not use or rely on any Privileged Communications in any Legal Proceeding against or involving Acquirer or the Company. Without limiting the generality of the foregoing, from and after the Closing, (i) the Stockholders' Agent (on behalf of the Converting Holders) (and not Acquirer or the Company) shall be the sole holder of the attorney-client privilege with respect to such engagement, and none of Acquirer or the Company shall be a holder thereof, (ii) to the extent that files of the Company Law Firm in respect of such engagement constitute property of the client, only the Stockholders' Agent (on behalf of the Converting Holders) (and not Acquirer nor the Company) shall hold such property rights, and (iii) the Company Law Firm shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to Acquirer or the Company by reason of any attorney-client relationship between the Company Law Firm and the Company, the Stockholders' Agent or otherwise. Notwithstanding the foregoing, in the event that a dispute arises between Acquirer or its Affiliates (including the Company as the Surviving Corporation after Closing), on the one hand, and a third party other than the Stockholders' Agent (on behalf of the Converting Holders), on the other hand, Acquirer and its Affiliates (including the Company) may assert the attorney-client privilege to prevent disclosure of confidential communications to such third party; provided, however, that neither Acquirer nor any of its Affiliates (including the Company) may waive such privilege without the prior written consent of, the Stockholders' Agent which consent shall not be unreasonably withheld, conditioned, or delayed. In the event that Acquirer or any of its Affiliates (including the Company) is legally required by Order or otherwise legally required to access or obtain a copy of all or a portion of the Privileged Communications, to the extent (x) permitted by Applicable Law, and (y) advisable in the opinion of Acquirer's counsel, then Acquirer shall immediately (and, in any event, within five Business Days) notify the Stockholders' Agent in writing so that Stockholders' Agent can seek a protective order.

(d) This Section 8.14 is intended for the benefit of, and shall be enforceable by, and the Stockholders' Agent or the Company Law Firm. This Section shall be irrevocable, and no term of this Section 8.14 may be amended, waived, or modified, without the prior written consent of the Company Law Firm.

[Signature Page Next]

IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company and the Stockholders' Agent have caused this Agreement and Plan of Merger and Reorganization to be executed and delivered by their respective officers thereunto duly authorized, all as of the date first written above.

Versus Systems Inc.

By: /s/ Matthew Pierce
Name: Matthew Pierce
Title: Chief Executive Officer

Wonkavision Merger Sub Inc.

By: /s/ Matthew Pierce
Name: Matthew Pierce
Title: President

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company and the Stockholders' Agent have caused this Agreement and Plan of Merger and Reorganization to be executed and delivered by their respective officers thereunto duly authorized, all as of the date first written above.

Xcite Interactive, Inc.

By: /s/ Sean Hopkins
Sean Hopkins, CEO

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, Acquirer, Merger Sub, the Company and the Stockholders' Agent have caused this Agreement and Plan of Merger and Reorganization to be executed and delivered by their respective officers thereunto duly authorized, all as of the date first written above.

Stockholders' Agent

FRONT RANGE VENTURES, LLC

By: /s/ Matt Lauer

Matt Lauer, Sole Member

[Signature Page to Agreement and Plan of Merger]

EXHIBIT A

Definitions

As used herein, the following terms shall have the meanings indicated below:

"***Acquirer Common Stock***" means the Common Shares, no par value, of Acquirer.

"***Acquirer Option***" means options to purchase shares of Acquirer Common Stock.

"***Acquirer Stock Price***" means the 20 day volume weighted average price of a share of Acquirer Common Stock on the Nasdaq Capital Market, ending on the date that is two days prior to the Agreement Date.

"***Affiliate***" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person, including any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person, in each case as of the date on which, or at any time during the period for which, the determination of affiliation is being made. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by Contract or otherwise.

"***Aggregate Exercise Price***" means the sum of the exercise prices of all Company Warrants.

"***Applicable Law***" means, with respect to any Person, any federal, state, foreign, local, municipal or other law, statute, constitution, legislation, principle of common law, resolution, ordinance, code, edict, decree, rule, directive, guidance, license, permit, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity and any Orders applicable to such Person or such Person's Affiliates or to any of their respective assets, properties or businesses.

"***Business***" means the business of the Company as currently conducted, including the design, development, operation, production, marketing, sale, resale, licensing, distribution and servicing of sports and entertainment production, marketing, and fan engagement software and platform.

"***Business Day***" means a day (a) other than Saturday or Sunday and (b) on which commercial banks are open for business in San Antonio, Texas.

"***CARES Act***" shall mean the Coronavirus Aid, Relief, and Economic Security Act.

"***Closing Net Working Capital Surplus***" means the amount, if any, by which the Company Net Working Capital, as set forth in the Company Closing Financial Certificate, is more than the Closing Net Working Capital Target.

"***Closing Net Working Capital Shortfall***" means the amount, if any, by which the Company Net Working Capital, as set forth in the Company Closing Financial Certificate, is less than the Closing Net Working Capital Target.

"***Closing Net Working Capital Target***" means negative $242,380.00.

"***Code***" means the United States Internal Revenue Code of 1986.

"***Company Capital Stock***" means, collectively, the Company Common Stock and any other capital stock of the Company, including the "preferred stock" referred to in the Certificate of Incorporation.

"***Company Cash***" means the aggregate amount of unrestricted cash and cash equivalents of the Company as of the Closing, calculated in accordance with GAAP.

"***Company Closing Financial Certificate***" means a certificate, in the form attached hereto for informational purposes only asExhibit J, executed and delivered by an officer of the Company and dated as of the Closing Date, certifying, as of the Closing, the amount of (i) Company Net Working Capital (including (A) an itemized list of each element of the Company's current assets with the substance reasonably acceptable to Acquirer, and (B) an itemized list of each element of the Company's total current liabilities with the substance reasonably acceptable to Acquirer), (ii) Company Cash, (iii) Company Debt, including an itemized list of each item of Company Debt with a description of the nature of such Company Debt and the Person to whom such Company Debt is owed and (iv) any Transaction Expenses that are incurred but unpaid as of the Closing, including an itemized list of each such Transaction Expenses and the Person to whom such Transaction Expenses are owed.

"***Company Common Stock***" means the Class A Common Stock, par value of $0.00001 per share, of the Company.

"***Company Debt***" means, without duplication: (a) all obligations (including the principal amount thereof or, if applicable, the accreted amount thereof and the amount of accrued and unpaid interest thereon) of the Company, whether or not represented by bonds, debentures, notes or other securities (whether or not convertible into any other security), for the repayment of money borrowed, whether owing to banks, financial institutions, on equipment leases or otherwise (including the PPP Loan), (b) all deferred indebtedness of the Company for the payment of the purchase price of property or assets purchased (other than accounts payable incurred in the ordinary course of business), (c) all obligations of the Company to pay rent or other payment amounts under a lease which is required to be classified as a capital lease or a liability on the face of a balance sheet prepared in accordance with GAAP, (d) all outstanding reimbursement obligations of the Company with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Company, (e) all obligations of the Company under any interest rate swap agreement, forward rate agreement, interest rate cap or collar agreement or other financial agreement or arrangement entered into for the purpose of limiting or managing interest rate risks, (f) all obligations secured by any Encumbrance existing on property owned by the Company, whether or not indebtedness secured thereby will have been assumed, (g) all premiums, penalties, fees, expenses, breakage costs and change of control payments required to be paid or offered in respect of any of the foregoing on prepayment (regardless if any of such are actually paid), as a result of the

consummation of the Transactions or in connection with any lender consent, (h) all underfunded liabilities, assuming contingencies are satisfied, under any Company Employee Plans, including defined benefit plans, or due to the application of any terms contemplated or agreed upon with any labor organization or similar arrangement, including the employer portion of any related payroll taxes with respect thereto, (i) all guaranties, endorsements, assumptions and other contingent obligations of the Company in respect of, or to purchase or to otherwise acquire, any of the obligations and other matters of the kind described in any of the clauses (a) through (h) appertaining to third parties and (j) all Pre-Closing Taxes and any other liabilities for Taxes incurred through or in accordance with the Closing (including the employer portion of employment-related Taxes arising in connection with any payment required pursuant to, or arising as a result of, this Agreement or the Transactions, and including any such Taxes that have been deferred pursuant to the CARES Act and any related interest), whether or not such liabilities for Taxes would be then due.

"***Company Net Working Capital***" means (i) the Company's total current assets (as defined by and determined in accordance with GAAP) as of the Closing minus (ii) the Company's consolidated total current liabilities and short term and long term deferred revenue obligations (as defined by and determined in accordance with GAAP) as of the Closing, in the form attached hereto for informational purposes only as Exhibit J. For purposes of calculating Company Net Working Capital, (A) the Company's current assets will exclude Company Cash and tax assets, and (B) the Company's total current liabilities will include (without duplication) accounts payable, accrued liabilities, deferred rent and other deferred expenses, but shall exclude all Company Debt and Transaction Expenses.

"***Company Options***" means options to purchase shares of Company Capital Stock.

"***Company Securityholders***" means Company Stockholders, Company Warrantholders and the holders of the Convertible Note.

"***Company Stockholders***" means (a) with respect to any time before the Effective Time, collectively, the holders of record of shares of Company Capital Stock outstanding as of such time and (b) with respect to any time at or after the Effective Time, collectively, the holders of record of shares of Company Capital Stock outstanding as of immediately prior to the Effective Time.

"***Company Transaction Documents***" means this Agreement and each other Transaction Document to which the Company is or will be a party.

"***Company Warrantholders***" means the holders of the Company Warrants.

"***Company Warrants***" means any outstanding warrants to purchase shares of Company Capital Stock.

"***Contract***" means any written or oral legally binding contract, agreement, instrument, commitment or undertaking of any nature (including leases, subleases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, letters of intent and purchase orders).

"***Convertible Note***" means the Convertible Note issued by the Company on or around October 21, 2020, as amended, to the holder thereof in the principal amount of $750,000.

"***Converting Holders***" means the Company Stockholders (other than those Company Stockholders all of whose shares of Company Capital Stock constitute Dissenting Shares) and Company Warrantholders.

"***COVID-19***" means the novel coronavirus 2019 referred to as COVID-19 and all variants.

"***COVID-19 Pandemic***" means the epidemic, pandemic or disease outbreak associated with COVID-19.

"***DGCL***" means the General Corporation Law of the State of Delaware.

"***Dissenting Shares***" means any shares of Company Capital Stock that are issued and outstanding immediately prior to the Effective Time and in respect of which dissenters' rights shall have been perfected, and not waived, withdrawn or lost, in accordance with the DGCL.

"***Encumbrance***" means, with respect to any asset, any mortgage, easement, encroachment, equitable interest, right of way, deed of trust, lien (statutory or other), pledge, charge, security interest, title retention device, conditional sale or other security arrangement, or collateral assignment.

"***Equity Interests***" means, with respect to any Person, any capital stock of, or other ownership, membership, partnership, joint venture or equity interest in, such Person or any indebtedness, securities, options, warrants, call, subscription or other rights or entitlements of, or granted by, such Person or any of its Affiliates that are convertible into, or are exercisable or exchangeable for, or giving any Person any right or entitlement to acquire any such capital stock or other ownership, partnership, joint venture or equity interest, in all cases, whether vested or unvested.

"***Exchange Act***" means the Securities Exchange Act of 1934.

"***Fully-Diluted Company Common Stock***" means the sum, without duplication, of (a) the aggregate number of shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time, (b) the aggregate number of shares of Company Common Stock that would be issuable upon the conversion of any convertible securities of the Company outstanding immediately prior to the Effective Time and (c) the aggregate number of shares of Company Capital Stock purchasable under or otherwise subject to any rights to acquire shares of Company Capital Stock (whether or not immediately exercisable) outstanding immediately prior to the Effective Time (including the Convertible Note as contemplated to be amended pursuant to Section 1.3(a)(iii)).

"***Fundamental Representations***" means the representations and warranties made by the Company in Section 2.1, but excluding the representations and warranties in the second sentence of Section 2.1 relating to foreign qualifications (Organization, Standing, Power and Subsidiaries), Section 2.2 (Capital Structure), Sections 2.3(a) (Authority), Section 2.12 (Taxes) and Section 2.18 (Transaction Fees) of this Agreement, including in any certificate delivered to Acquirer pursuant to this Agreement that are within the scope of those covered by the foregoing Sections.

"***GAAP***" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, that are applicable to the circumstances of the date of determination, consistently applied, as modified to exclude the application of ASC 606.

"***Government Official***" means (a) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, (b) any political party, political party official or candidate for political office, (c) any official, employee, agent or representative of, or any Person acting in

an official capacity for or on behalf of, a company, business, enterprise or other entity owned, in whole or in part, or controlled by any Governmental Entity or (d) any official, employee, agent or representative of, or any Person acting in an official capacity for or on behalf of, a public international organization.

"***Governmental Entity***" means any supranational, national, state, municipal, local or foreign government, any court, tribunal, arbitrator, administrative agency, commission, regulatory authority or other Government Official, authority or instrumentality, in each case whether domestic or foreign, any stock exchange, local or supranational central bank or similar self-regulatory organization or any quasi-governmental or private body exercising any executive, legislative, judicial, regulatory, Taxing or other functions of, or pertaining to, government authority (including any governmental or political division, department, agency, commission, instrumentality, official, organization, unit, body or entity and any court or other tribunal).

"***Group***" has the meaning ascribed to such term under Section 13(d) of the Exchange Act, the rules and regulations thereunder and related case law.

*"**Holdback Amount***" means an amount equal to 12.5% of the Total Merger Consideration made up of (a) the shares of Acquirer Common Stock issuable to each Company Securityholder pursuant to Section 1.4(a), and (b) the cash owed to each Company Securityholder pursuant to Section 1.4(d).

"***IP Representations***" means the representations and warranties made by the Company in Section 2.10 (Intellectual Property) and Section 2.11 (Data Privacy and Security) of this Agreement, including in any certificate delivered to Acquirer pursuant to this Agreement that are within the scope of those covered by the foregoing Sections.

"***IRS***" means the United States Internal Revenue Service.

"***knowledge***" means, with respect to any fact, circumstance, event or other matter in question, the knowledge of such fact, circumstance, event or other matter, after reasonable inquiry, of (i) an individual, if used in reference to an individual or (ii) with respect to any Person that is not an individual, the executive officers of such Person.

"***Legal Proceeding***" means any private or governmental action, inquiry, claim, counterclaim, proceeding, suit, hearing, litigation, audit or investigation, in each case whether civil, criminal, administrative, judicial or investigative, or any appeal therefrom.

"***Liabilities***" (and, with correlative meaning, "***Liability***") means all debts, liabilities, commitments and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, liquidated or unliquidated, asserted or unasserted, known or unknown, whenever or however arising, including those arising under Applicable Law or any Legal Proceeding or Order of a Governmental Entity and those arising under any Contract, regardless of whether such debt, liability, commitment or obligation would be required to be reflected on a balance sheet prepared in accordance with GAAP or disclosed in the notes thereto.

"***Material Adverse Effect***" means, with respect to any Person, any change, event, violation, inaccuracy, circumstance or effect (each, an "***Effect***") that, individually or taken together with all other Effects, and regardless of whether such Effect constitutes an inaccuracy in the representations or warranties made by, or a breach of the covenants, agreements or obligations of, such Person herein, is, or would reasonably be likely to be or become, materially adverse in relation to the near-term or longer-term condition (financial or otherwise), assets (including intangible assets), liabilities, business, operations or results of operations of such Person and its subsidiaries (taken as a whole), except to the extent that any such Effect directly results from: (a) any change, effect or circumstance resulting from an action required or permitted by this Agreement, (b) any change, effect or circumstance resulting from the announcement of this Agreement, (c) changes in general economic conditions, (d) changes affecting the industry generally in which such Person operates, (e) changes in Applicable Law, (f) conditions caused by acts of terrorism or war (whether or not declared) or any natural or man-made disaster or acts of God (including the COVID-19 Pandemic, any other pandemic and any governmental response thereto); and (g) changes in GAAP; provided, in each case of clauses (a) – (g), that such changes do not affect such Person disproportionately as compared to such Person's competitors.

"***Misconduct Claim***" means (a) sexual harassment, whether or not meeting the legal definition of actionable harassment, that would reasonably be expected to be materially injurious to the business or reputation of the Company, (b) if made to a subordinate service provider of the Company: (i) sexual advances, (ii) lewd or sexually explicit comments, or (iii) the sending of sexually explicit images or messages (excluding sexually explicit images or messages that are part of programing of legitimate works for the Company), (c) if made to a person who has not invited such conduct and, at the time, would reasonably regard the maker of the advances or comments as having the power to influence or impair the recipient's career advancement or the success of the recipient's business projects: (i) sexual advances or (ii) sexually explicit comments or (d) any retaliatory act for refusing or opposing any of the above.

"***Order***" means any judgment, writ, decree, stipulation, determination, decision, award, rule, preliminary or permanent injunction, temporary restraining order or other order.

"***Per Share Consideration***" means the quotient expressed as a dollar amount equal to (a) the Total Merger Consideration divided by (b) the Fully-Diluted Company Common Stock.

"***Permitted Encumbrances***" means: (a) statutory liens for current Taxes that are not yet due and payable or liens for Taxes being contested in good faith by appropriate proceedings for which adequate reserves have been established, (b) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements, (c) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance or similar programs mandated by Applicable Law, (d) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens, (e) liens in favor of customs and revenue authorities arising as a matter of Applicable Law to secure payments of customs duties in connection with the importation of goods, (f) transfer restrictions encumbering the Company's Common Stock under the Stockholders' Agreement and under applicable securities laws, and (g) non-exclusive licenses to or rights to use Company Products by the Company in the ordinary course of business and consistent with past practice.

"***Person***" means any natural person, company, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, trust, estate, proprietorship, joint venture, business organization, Governmental Entity or other entity.

"***Personal Data***" "means any information that identifies, describes, relates to, is capable of being associated with, could reasonably be linked, directly or indirectly, with an identified or identifiable natural person or household, including a name, an identification number, unique personal identifier, biometric information, probabilistic identifier, location data, commercial information including products or services purchased, obtained or considered, or other purchasing or consuming histories or tendencies, professional, educational or employment related information, inferences drawn from personal information and used to create a profile, Internet or other electronic network activity information, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural, political or social identity of that natural person or any other piece of information that allows the identification of a natural person or is otherwise considered personally identifiable information, sensitive data, special categories of personal data or personal information under Applicable Law, including Tracking Data.

"***PPP***" means the Paycheck Protection Program administered by the SBA.

"***PPP Lender***" means Northeast Bank, a national banking association.

"***PPP Loan***" means all Company Debt with respect to the unsecured loan made to the Company by the PPP Lender under the PPP Loan Agreement, evidenced by that certain promissory note, dated as of March 2, 2021, in the principal amount of $348,745.

"***PPP Loan Agreement***" means that certain Loan Agreement, dated as of March 2, 2021, by and between the Company, as borrower, and the PPP Lender, as lender, as amended, restated, supplemented or otherwise modified from time to time, and any other agreements or documents entered into by any member of the Company in connection therewith or otherwise evidencing or governing the terms of the PPP Loan.

"***Pre-Closing Taxes***" means any (a) Taxes of the Company for a Pre-Closing Tax Period, (b) Taxes of Converting Holders (including capital gains Taxes arising as a result of the Transactions) or any of their Affiliates (excluding the Company) for any Tax period, (c) Taxes for which the Company (or any predecessor of the foregoing) is held liable under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law) by reason of such entity being included in any consolidated, affiliated, combined or unitary group at any time on or before the Closing Date and (d) Taxes of any other Person for which the Company is liable if the agreement, event or occurrence giving rise to such Liability occurred on or before the Closing Date. Notwithstanding anything to this Agreement to the contrary, Pre-Closing Taxes includes any payroll taxes, or other Taxes of the Company arising in connection with any payment required pursuant to, or arising as a result of, this Agreement or the Transactions, whether or not such Taxes are due and payable as of the Closing Date (and, for the avoidance of doubt, shall include any such Taxes that were deferred pursuant to the CARES Act). In the case of any Taxes of the Company that are imposed on a periodic basis and that are payable for a Taxable period that includes (but does not end on) the Closing Date, such Taxes shall (i) in the case of property, *ad valorem* or other Taxes that accrue based upon the passage of time, be deemed to be Pre-Closing Taxes in an amount equal to the amount of such Taxes for the entire Taxable period multiplied by a fraction, the numerator of which is the number of days in the Taxable period through and including the Closing Date and the denominator of which is the number of days in the entire Taxable period, and (ii) in the case of any other Taxes, be deemed to be Pre-Closing Taxes in an amount equal to the amount of Taxes that would be payable if the relevant Taxable period ended on the Closing Date.

"***Pre-Closing Tax Period***" means any Taxable period (or portion thereof) ending on or prior to the Closing Date.

"***Privacy Laws***" means each (a) Applicable Law applicable to Personal Data, including: (i) Applicable Laws, regulations, directives, and orders, relating to data breach notification, data security, consumer protection, direct marketing and advertising, profiling and tracking, e-mail, messaging and/or telemarketing, biometrics, accessibility, the requirements for website and mobile application privacy policies and practices, and the privacy and individual rights of Persons; and (ii) the California Consumer Privacy Act of 2018; the Computer Fraud and Abuse Act; the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003; the Electronic Communications Privacy Act; the Fair Credit Reporting Act; the Federal Trade Commission Act; the General Data Protection Regulation (EU) 2016/679, the Gramm-Leach-Bliley Act; the Health Insurance Portability and Accountability Act; the Personal Information Protection and Electronic Documents Act (Canada), the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks; the Telemarketing and Consumer Fraud and Abuse Prevention Act; the Telephone Consumer Protection Act; the Video Privacy Protection Act; the rules of self-regulatory organizations, including the Payment Card Industry Data Security Standards; local or federal unfair and deceptive trade practices laws and other consumer protection laws; and all other similar international, federal, state, provincial, and local laws, (b) guidance issued by a Governmental Entity that pertains to any Applicable Law, (c) self-regulatory principles that are binding on the Company, and applicable industry standards, guidelines, and best practices for processing Personal Data, profiling and tracking, e-mail, messaging and/or telemarketing; and (d) Company Privacy Policies, contractual obligations and applicable codes of conduct.

"***Pro Rata Share***" means, with respect to a particular Converting Holder, a fraction, (a) the numerator of which is the product of (i) the Acquirer Stock Price multiplied by (ii) the aggregate number of shares of Acquirer Common Stock that such Converting Holder is entitled to be issued pursuant to Section 1.3(a) (which, for the avoidance of doubt, excludes any payments and issuances in respect of Dissenting Shares) and (b) the denominator of which is the product of (i) the Acquirer Stock Price multiplied by (ii) the aggregate number of shares of Acquirer Common Stock that all Converting Holders are entitled to be issued pursuant to Section 1.3(a) (which, for the avoidance of doubt, excludes any payments and issuances in respect of Dissenting Shares).

"***Process***," "***Processed***" or "***Processing***" means, with respect to data, any operation or set of operations, whether manually or by automatic means, such as compilation, generation, collection, receipt, recording, organization, structuring, storage, adaptation, enhancement, enrichment or alteration, retrieval, consultation, analysis, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction.

"***Representatives***" means, with respect to a Person, such Person's officers, directors, Affiliates, stockholders or employees, or any investment banker, attorney, accountant, auditor or other advisor or representative retained by any of them.

"***SBA***" means the United States Small Business Administration.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Act***" means the Securities Act of 1933.

"***Spreadsheet***" means a spreadsheet setting forth all of the following information (in addition to the other required data and information specified therein), as of immediately prior to the Closing: (a) the names of all of the Converting Holders and their respective addresses, e-mail addresses and, where available, taxpayer identification numbers, (b) the number and type of shares of Company Capital Stock held by, or subject to the Company Warrants held by, such Converting Holders and, in the case of outstanding shares, the respective certificate numbers, in each case before and after giving effect to the Conversion Election, (c) the number of shares of Company Capital Stock subject to and the exercise price per share in effect for each Company Warrant, (d) the vesting status and schedule with respect Company Warrants, (e) for each Company Warrant that was early exercised, the date of such exercise and the applicable exercise price, (f) the calculation of Fully-Diluted Company Common Stock and Per Share Consideration, (g) the calculation of aggregate cash amounts payable to each such Converting Holder pursuant to Section 1.3(a) and the total amount of Taxes to be withheld therefrom, if any, (h) the vesting schedule with respect to the unvested shares of Acquirer Common Stock issuable to each Converting Holder pursuant to Section 1.3(a), as set forth in the Vesting Agreement executed by such Converting Holder, (i) the calculation of each Converting Holder's Pro Rata Share of the Holdback Amount and (j) a funds flow memorandum setting forth applicable wire transfer instructions and other information reasonably requested by Acquirer.

"***Stockholders' Agreement***" means the Stockholders' Agreement, dated January 6, 2021, among the Company and the Company Stockholders party thereto.

"***Tax***" (and, with correlative meaning, "***Taxes***" and "***Taxable***") means (a) any net income, alternative or add-on minimum tax, gross income, estimated, gross receipts, sales, use, ad valorem, value added, transfer, franchise, fringe benefit, capital stock, profits, license, registration, withholding, payroll, social security (or equivalent),

employment, unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible or intangible), environmental or windfall profit tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount (whether disputed or not) imposed by any Governmental Entity having or purporting to have responsibility for the imposition of any such tax (domestic or foreign) (each, a "***Tax Authority***"), (b) any Liability for the payment of any amounts of the type described in clause (a) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any Taxable period and (c) any Liability for the payment of any amounts of the type described in clause (a) or (b) of this sentence as a result of being a transferee of or successor to any Person or as a result of any express or implied obligation to assume such Taxes or to indemnify any other Person.

"***Tax Deductions***" means the aggregate amount of any income Tax deductions attributable to (a) the Transaction Expenses, (b) any business interest deduction carryforward pursuant to Section 163(j)(2) of the Code, and (c) any "net operating loss" within the meaning of Section 172(c) of the Code (or any similar provision of state, local or foreign Law) of the Company with respect to any Pre-Closing Tax Period that is not attributable to any of the other subclauses in this defined term and is available to be carried forward to any Tax year or period (or portion thereof) of Acquirer or its Affiliates (including the Company after the Closing Date) beginning after the Closing Date.

"***Tax Return***" means any return, statement, report or form (including estimated Tax returns and reports, withholding Tax returns and reports, any schedule or attachment, and information returns and reports), including any amendment thereof, filed or required to be filed with respect to Taxes.

"***Total Merger Consideration***" means the sum expressed as a dollar amount equal to (a) $16,712,795.00,plus (b) Company Cash, plus (c) the Aggregate Exercise Price, plus (d) the Closing Net Working Capital Surplus, if any, less (e) the Closing Net Working Capital Shortfall, if any, less (f) Transaction Expenses that are incurred but unpaid as of the Closing, less (g) Company Debt outstanding as of the Closing.

"***Tracking Data***" means (a) any information or data collected in relation to online, artificial intelligence or machine model training, mobile or other electronic activities or communications to the extent that it can reasonably be associated, directly or indirectly, with a particular Person, user, computer, mobile or other device, or instance of any application or mobile application, (b) any information or data collected in relation to off-line activities or communications that can reasonably be associated, directly or indirectly, with or that derives from a particular Person, user, computer, mobile or other device or instance of any application or mobile application or (c) any device or network identifier (including IP address or MAC address), device activity data or data collected from a networked physical object.

"***Transaction Documents***" means, collectively, this Agreement and each other agreement or document referred to in this Agreement or to be executed in connection with any of the Transactions.

"***Transaction Expenses***" means all third-party fees, costs, expenses, payments and expenditures incurred by or on behalf of the Company in connection with this Agreement and the Transactions, whether or not incurred, billed or accrued, including (a) any fees, costs, expenses, payments and expenditures of legal counsel and accountants, (b) the maximum amount of fees costs, expenses, payments and expenditures payable to brokers, finders, financial advisors, investment bankers or similar Persons notwithstanding any earn-outs, escrows or other contingencies, (c) all bonuses, severance obligations or other compensatory amounts owed by the Company to any of their respective directors, employees and/or consultants in connection with the Transactions, including any signing bonus amounts owed and payable pursuant to the Offer Letters, that are unpaid as of the Closing and the employer portion of any related payroll taxes with respect thereto, (d) any such fees, costs, expenses, payments and expenditures incurred by Company Stockholders paid for or to be paid for by the Company, (e) the cost of the D&O Tail Policy and (f) the Stockholders' Agent Fee.

"***Treasury Regulations***" means the United States Treasury regulations promulgated under the Code.

"***Written Consent and Release***" means a written consent and release executed by Company Securityholders in the form attached hereto asExhibit E, which document includes provisions related to the (a) adoption of this Agreement and approval the Merger (which, taken together with each other Written Consent and Release to be delivered pursuant to this Agreement, will constitute the Company Stockholder Approval), (b) certification as to such holder's status (or lack thereof) as an "accredited investor" (as such term is defined in Rule 501 of Regulation D of the Securities Act), (c) an agreement to be bound by the indemnification provisions of Article VI, (d) an acknowledgement of the accuracy of the Spreadsheet as it pertains to such Company Stockholder, (e) an agreement to release, solely in such Person's capacity as a Company Securityholder, the Company and the Surviving Corporation from any claims, rights, Liabilities and causes of action whatsoever based upon, relating to or arising out of the Transactions, (f) an agreement that any dispute with respect to this Agreement involving such Company Securityholder shall be finally settled by binding arbitration pursuant to Section 8.10(a), (g) a substitute Form W-9, (h), approval of the Section 280G Payments, (i) ratification and approval of the Stockholders' Agent as the agent for and on behalf of such Person, (j) acknowledgement of receipt of the dissenters' rights notice and waiver of such rights and (k) termination of the Stockholders' Agreement.

Other capitalized terms used herein and not defined in this Exhibit A shall have the meanings assigned to such terms in the following Sections.

Index of Defined Terms

Exhibit 23.1

DAVIDSON & COMPANY LLP Chartered Professional Accountants

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Post-Effective Amendment No. 1 to Registration Statement on Form F-1 of our report dated May 3, 2021, relating to the consolidated financial statements of Versus Systems Inc., which is part of this Post-Effective Amendment No. 1 to Registration Statement on Form F-1.

We also consent to the reference to us under the caption "Experts" in the Prospectus.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

May 28, 2021

A member of Nexia International

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