

Versatile reports first quarter results

Vancouver, Canada December 19, 2011 – Versatile Systems Inc. (Trading symbols on the TSX Venture Exchange: VV and on AIM: VVS), announces its results for the first quarter of the 2012 fiscal year.

Revenue for the three months ended September 30, 2011 was \$9,039,212 generating a gross profit of \$1,790,378 or 19.8% of sales compared to \$9,219,050 generating a gross profit of \$2,103,827 or 22.8% of sales for the same quarter last year. The Net Loss for the quarter amounted to \$359,911 (\$0.00 per share) compared to a Net Loss of \$89,314 (\$0.01 per share) for the same period last year.

“As a result of economic events occurring mid-quarter, several key customers reduced spending, which negatively impacted both revenue and gross profit,” said John Hardy, Chairman and CEO of Versatile. “Nevertheless, we managed to be effectively cash flow neutral. In addition, we obtained a new credit facility of \$4.5 million, and reduced operating expenses with a strategic relocation of our Mechanicsburg facility. We are in the process of adding new sales resources and remain committed to improving profitability, while carefully managing our expenses.”

Highlights for the quarter included:

- Revenue for the three months ended September 30, 2011 was \$9,039,212 compared to \$9,219,050 for the same quarter last year, a decrease of \$179,838;
- The cash flow used in operations amounted to \$51,134 for the three months ended September 30, 2011 compared to cash flow generated from operations of \$150,269 for the same period last year;
- The research and development expense for the quarter amounted to \$244,110 compared to \$192,268 for the same quarter last year;
- Deferred revenue at September 30, 2011 was \$6,047,097 (of which \$5,449,475 is expected to be recognized in the next four quarters) compared to \$6,320,199 at June 30, 2011; and
- In order to save costs, the Company relocated to a smaller facility in Mechanicsburg, PA incurring a one-time cost of \$65,040. This move will lead to a reduction in premise costs of approximately \$200,000 per annum.

During the current quarter, the Company incurred \$129,294 for research and development activities related to *Mobiquity Route*[™], *DEX* and related mobile software products and \$72,362 related to *Mobiquity Transaction Engine 3.0*[™] and *Mobiquity Kiosk*[™].

During the current quarter the Company changed its banking facilities for its U.S. based operations to a new financial institution, which is providing a credit facility for up to \$4,500,000 on more favorable terms than the former bank.

“While the Company incurred a loss of \$359,911 the cash used in operations amounted to \$51,134,” said Fraser Atkinson, CFO of Versatile. “Excluding the one-time moving costs the Company would have generated positive cash flow from operations. In addition, restoring the gross profit of 19.8% to the historical average of 21% to 22% will have a positive impact on cash flow.”

The Company adopted IFRS during the current reporting period. The Company has applied the transitional exceptions and exemptions to full retroactive application of IFRS in its preparation of an opening IFRS consolidated statement of financial position at July 1, 2010. The most significant changes include the reclassification of deferred contract costs to intangible assets and the reclassification of current deferred income taxes to long term. Further details of the conversion to IFRS are provided in Management's Discussion and Analysis and in the Notes to the Company's unaudited, Condensed Consolidated Financial Statements, as at and for the three months ended September 30, 2011.

About Versatile

Versatile provides business solutions that enable companies to improve sales, marketing and distribution of their products. Versatile also provides information technology services for the implementation, maintenance and security of mission-critical computer environments. Versatile has the ability to architect solutions involving both proprietary and third party components. For more information: www.versatile.com.

Forward-Looking Statements

This document may contain forward-looking statements relating to Versatile's operations or to the environment in which it operates, which are based on Versatile's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or are beyond Versatile's control. A number of important factors including those set forth in other public filings could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Versatile disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

FOR FURTHER INFORMATION, PLEASE CONTACT:

John Hardy, Chairman and CEO

1-800-262-1633

International: 001-206-979-6760

Fraser Atkinson, CFO

1-800-262-1633

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Versatile Systems Inc.

Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

Expressed in U.S. dollars

September 30, 2011 June 30, 2011 July 1, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 563,999	\$ 978,656	1,738,036
Investment in Equus	1,810,369	2,311,109	2,203,043
Accounts receivable	5,535,268	7,134,328	10,580,706
Prepaid expenses	253,291	228,062	236,993
Inventory	1,910,121	1,849,635	1,719,477
	<u>10,073,048</u>	<u>12,501,790</u>	<u>16,478,255</u>

Long-term accounts receivable

312,339 401,742 265,612

Capital Assets

221,587 270,437 519,391

Intangible assets

5,123,645 5,048,776 6,392,005

Deferred income tax assets

7,136,316 7,001,156 6,965,850

Goodwill

9,914,350 9,914,350 9,914,350

\$ 32,781,285 \$ 35,138,251 40,535,463

LIABILITIES

Current Liabilities

Line of credit	\$ 724,981	1,007,767	1,353,312
Accounts payable and accrued liabilities	5,878,754	6,823,643	9,955,342
Current portion of deferred revenue	5,449,475	5,670,932	7,432,210
	<u>12,053,210</u>	<u>13,502,342</u>	<u>18,740,864</u>

Deferred Revenue

597,622 649,267 710,269

12,650,832 14,151,609 19,451,133

SHAREHOLDERS' EQUITY

Share Capital	54,433,709	54,433,709	54,433,709
Warrants	42,000	42,000	186,367
Equity Reserve	4,582,940	4,578,470	4,231,539
Deficit	(37,424,509)	(37,064,598)	(36,965,836)
Accumulated other comprehensive loss	(1,503,687)	(1,002,939)	(801,449)

20,130,453 20,986,642 21,084,330

\$ 32,781,285 \$ 35,138,251 40,535,463

Versatile Systems Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited - Prepared by Management)

Expressed in U.S. dollars

	Three months ended September 30	
	2011	2010
SALES	\$ 9,039,212	\$ 9,219,050
COST OF SALES	7,248,834	7,115,223
	<u>1,790,378</u>	<u>2,103,827</u>
EXPENSES		
Selling and marketing	1,019,931	1,008,567
General and administrative	961,127	890,450
Research and development	244,110	192,268
Non recurring expenses	-	20,668
Stock-based compensation	4,470	-
Foreign exchange loss	824	2,333
	<u>2,230,462</u>	<u>2,114,286</u>
OPERATING LOSS	(440,084)	(10,459)
Amortization of capital assets	48,419	71,161
Interest expense	5,223	14,970
LOSS BEFORE INCOME TAXES	(493,726)	(96,590)
Current income tax expense	(1,345)	(995)
Deferred income tax benefit	135,160	8,271
NET LOSS	<u>(359,911)</u>	<u>(89,314)</u>
LOSS PER SHARE (basic and diluted)	<u>(\$0.00)</u>	<u>(\$0.00)</u>
Net loss	(359,911)	(89,314)
Other comprehensive loss		
Net change in fair value of available-for-sale investments	(500,748)	(246,609)
Total comprehensive loss	<u>(860,659)</u>	<u>(335,923)</u>

Versatile Systems Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Prepared by Management)

Expressed in U.S. dollars

	Share Capital	Warrants	Equity Reserve	Deficit	Accumulated other comprehensive loss	Total
Balance, July 1, 2010	54,433,709	186,367	4,231,539	(36,965,836)	(801,449)	21,084,330
Net loss				(89,314)		(89,314)
Net change in fair value of available-for-sale investments					(246,609)	(246,609)
Balance, September 30, 2010	54,433,709	186,367	4,231,539	(37,055,150)	(1,048,058)	20,748,407
Balance, June 30, 2011	54,433,709	42,000	4,578,470	(37,064,598)	(1,002,939)	20,986,642
Net loss				(359,911)		(359,911)
Net change in fair value of available-for-sale investments					(500,748)	(500,748)
Share-based compensation expense	-	-	4,470	-	-	4,470
Balance, September 30, 2011	54,433,709	42,000	4,582,940	(37,424,509)	(1,503,687)	20,130,453

Versatile Systems Inc.

Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

Expressed in U.S. dollars

Three months ended September 30

	2011	2010
OPERATING ACTIVITIES		
Net loss	\$ (359,911)	\$ (89,314)
Items not affecting cash		
Amortization of capital assets	52,509	74,252
Stock-based compensation	4,470	-
Unrealized foreign exchange gain	-	495
Deferred income taxes	(135,160)	(8,271)
Cash flow used in operations before other items	(438,092)	(22,838)
Net change in non-cash working capital	386,958	173,107
	<u>(51,134)</u>	<u>150,269</u>
INVESTING ACTIVITIES		
Proceeds from disposition of capital assets	1,341	73,094
Intangible assets - contract cost additions	(1,355,780)	(1,629,194)
Amortization of intangible assets	1,280,911	1,604,148
Purchase of capital assets	(7,209)	(39,825)
	<u>(80,737)</u>	<u>8,223</u>
FINANCING ACTIVITIES		
Repayment of line of credit	(282,786)	(433,031)
	<u>(282,786)</u>	<u>(433,031)</u>
Decrease in cash and cash equivalents	(414,657)	(274,539)
Cash and cash equivalents, beginning of period	978,656	1,738,036
Cash and cash equivalents, end of period	<u>\$ 563,999</u>	<u>\$ 1,463,497</u>