

Versatile reports results for third quarter

Revenue of \$45,658,542 for the first nine months at a record level

Vancouver, Canada May 12, 2008 – Versatile Systems Inc. (Trading symbols on the TSX Venture Exchange: VV and on AIM: VVS), announces its results for the third quarter of the 2008 fiscal year. For the year-to-date results the Company reported record Revenue, Gross Profit dollars, EBITDA and Cash flow from operations before non-cash working capital items.

Revenue for the nine months ended March 31, 2008 was \$45,658,542 generating a gross profit of \$11,311,654 or 24.8% of revenue compared to \$44,037,108 generating a gross profit of \$10,293,398 or 23.4% of revenue for the same period last year. The Company generated sales of higher margin products which resulted in an increase in gross profit of \$1,018,256 compared with the same period last year.

Net Earnings for the period amounted to \$562,173 compared to \$386,879 for the same period last year, an increase of 45.3%.

The cash flow from operations, before non-cash working capital items improved to \$1,304,528 for the nine months ended March 31, 2008 compared to 1,033,314 for the same period last year, an increase of 26.2%.

The EBITDA for the nine months ended March 31, 2008 was \$1,134,024 compared to an EBITDA of \$1,015,528 for the same period last year, an increase of 11.7%. EBITDA is defined as net earnings before interest, income taxes, depreciation and amortization. The Company has included information concerning EBITDA because it believes that it may be used by certain investors as one measure of the Company's financial performance.

“The Company’s overall financial position has improved,” said John Hardy, Chairman and CEO of Versatile. “During the quarter we not only repaid an outstanding term loan of \$2.7 million, we also negotiated a new operating line of credit, with Commerce Bank, of \$5.8 million at a favorable interest rate. In addition, the working capital position, since year-end, improved by \$1.8 million. Despite deteriorating U.S. economic conditions the performance of the Company compares favorably to the comparable period last year.”

“On the business front we achieved a significant milestone in deploying the first phase of a multi-million dollar route accounting project for a U.S. based distributor using our *Mobiquity Route*TM software. Our pipeline for mobile products is growing, aided by recent advances in wireless technology as the carriers build out their networks to the 3G standard. We expect to see further growth in this area in subsequent quarters.”

Highlights of the quarter:

- Revenue for the three months ended March 31, 2008 was \$14,519,869 compared to \$12,391,840 for the same period last year, an increase of 17.2%;
- Deferred revenue at March 31, 2008 was \$7,002,514 (of which \$5,986,232 is expected to be recognized in the next four quarters) compared to \$5,331,408 at March 31, 2007, an increase of \$1,671,106 or 31.3%;
- The Company repaid the Term Loan of \$2,749,263;
- The working capital as of March 31, 2008 was \$4,547,545 an improvement of \$1,860,046 over the working capital at the year-end of June 30, 2007;
- At March 31, 2008 the Company had cash and cash equivalents of \$3,109,385 compared to \$3,369,087 at the year-end;

- Obtained a line of credit of \$5,800,000 from the Commerce Bank, an increase from the previous line of credit of \$3,000,000; and
- Completed the first phase of deployment of a route accounting system for a major U.S. distributor with Versatile's *Mobiquity Route™ 4.0* as the core driver of this system.

Revenue for the three months ended March 31, 2008 was \$14,519,869 compared to \$12,391,840 for the same quarter last year, an increase of \$2,128,029. While the Company had repeat business from its existing customer base, the Company experienced a slowdown in orders from customers for routine expenditures on infrastructure. Cost of sales for the quarter amounted to \$11,094,832 resulting in a gross profit of \$3,425,037 or 23.6% of sales as compared to \$9,029,838 resulting in a gross profit of \$3,362,002 or 27.1% of sales for the same quarter last year.

Selling and Marketing expense for the quarter amounted to \$1,746,710, compared to \$1,578,391 for the same quarter last year. The Net Loss for the quarter amounted to \$67,622 compared to Net Earnings of \$70,471 for the same period last year.

Technology Development

During the current quarter the Company spent \$397,591 on research and development compared to \$254,565 for the same quarter last year, to enhance functionality of current product lines and requirements from various partners:

For the *Mobiquity Route™* these included the following:

- Commenced development on an interactive version of *Mobiquity Route 4.0™*;
- Expanded the reporting functions; and
- Developed company profiles for all DEX maintenance customers.

For the *Mobiquity Transaction Engine 3.0™* these included the following:

- Implementation of a proof-of-concept theft deterrent system using the *Mobiquity Transaction Engine 3.0™*, RFID, Biometrics and Video Cameras;
- Integrated a flexible reporting and business intelligence framework into MTE by leveraging BIRT;
- Implementation of a new user interface. The new user interface leverages AJAX and a windows-like interface running in a web browser; and
- Finalized the *Mobiquity Transaction Engine 3.0™* data model asset management.

For the *Mobiquity Kiosk™*, these included the following

- Completion of the hardware and operating system support for the new Madison Kiosk desktop computer;
- Implementation of web browsing capability in the Kiosk;
- Implementation of a time tracking kiosk for a welfare education service provider;
- Implementation of a new screen design for Alliance Data Systems
- Completion of the development of the electronic credit application for American General Financial Services; and
- Implementation of an "Enter to Win" lead management application that integrates with ePrize.com.

Financial position

The Company had working capital of \$4,547,545 at March 31, 2008 an improvement of \$1,860,046 over the working capital at the year-end on June 30, 2007. During the current quarter the Company repaid the

term loan in the amount of \$2,749,263, which had been classified with current liabilities. As of March 31, 2008 the Company had purchased, pursuant to its Normal Course Issuer Bid, 1,360,500 common shares and cancelled 702,500 of these shares.

At March 31, 2008 the Company had cash and cash equivalents of \$3,109,385 compared to \$3,369,087 at the year-end. The cash flow from operations, before non-cash working capital items improved to \$1,304,528 for the nine months ended March 31, 2008 compared to 1,033,314 for the same period last year, an increase of 26.2%.

“The uses of cash flow are specific to the period so the Company is well positioned to respond to prevailing market conditions,” said Fraser Atkinson, CFO of Versatile. “With the repayment of all of the long term debt the Company will see a drop in its interest expense, which combined with a declining amortization expense, will have a favorable impact on the bottom line in future periods.”

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.

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Versatile Systems Inc.
Consolidated Balance Sheets

Expressed in U.S. dollars

March 31, 2008 June 30, 2007
(unaudited)

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,109,385	\$ 3,369,087
Accounts receivable	8,955,594	15,200,919
Current portion of deferred contract costs	4,113,247	4,489,111
Work in progress	104,282	41,705
Prepaid expenses	443,612	347,023
Inventory	1,541,437	1,268,682
Future income tax benefits	1,203,875	1,094,579
	<u>19,471,432</u>	<u>25,811,106</u>

Long term accounts receivable

- 812,000

Deferred contract costs

875,592 396,423

Capital Assets

775,574 492,979

Intangible assets

823,419 1,335,877

Future income tax benefits

4,456,599 4,326,136

Goodwill

9,977,659 9,914,350

\$ 36,380,275 \$ 43,088,871

LIABILITIES

Current Liabilities

Line of credit	\$ -	\$ 3,383
Bank overdraft	321,034	170,422
Accounts payable and accrued liabilities	8,556,621	13,720,928
Current portion of deferred revenue	5,986,232	6,299,863
Bank term loan	-	2,749,263
Term loan	-	175,000
Promissory Notes	60,000	-
Current portion of capital lease obligations	-	4,748
	<u>14,923,887</u>	<u>23,123,607</u>

Deferred Revenue

1,016,282 487,416

15,940,169 23,611,023

SHAREHOLDERS' EQUITY

Share Capital	51,666,224	51,643,963
Warrants	369,965	382,650
Contributed surplus	3,161,954	2,998,798
Deficit	(34,701,053)	(35,263,226)
Foreign currency translation adjustment	(56,984)	(284,337)
	<u>20,440,106</u>	<u>19,477,848</u>

\$ 36,380,275 \$ 43,088,871

Versatile Systems Inc.
Consolidated Statements of Operations and Deficit
(Unaudited - Prepared by Management)

<i>Expressed in U.S. dollars</i>	Three months ended March 31		Nine months ended March 31	
	2008	2007	2008	2007
SALES	\$ 14,519,869	\$ 12,391,840	\$ 45,658,542	\$ 44,037,108
COST OF SALES	11,094,832	9,029,838	34,346,888	33,743,710
	<u>3,425,037</u>	<u>3,362,002</u>	<u>11,311,654</u>	<u>10,293,398</u>
EXPENSES				
General and administrative	1,176,901	1,162,952	3,561,691	3,325,335
Selling and marketing	1,746,710	1,578,391	5,034,578	4,914,234
Research and development	397,591	254,565	1,297,309	728,847
Foreign Exchange Loss	43,003	16,630	174,162	18,906
Stock-based compensation	56,587	129,571	109,890	290,548
	<u>3,420,792</u>	<u>3,142,109</u>	<u>10,177,630</u>	<u>9,277,870</u>
Earnings before interest, taxes and amortization	4,245	219,893	1,134,024	1,015,528
Amortization of capital assets	70,282	61,780	187,629	198,040
Amortization of intangible assets	191,669	187,782	569,393	682,096
Interest expense (income)	(90,375)	56,907	(28,379)	231,682
EARNINGS (LOSS) BEFORE INCOME TAXES	(167,331)	(86,576)	405,381	(96,290)
Current income tax expense	(19,269)	(11,064)	(35,817)	(60,386)
Future income tax benefit	118,978	168,111	192,609	543,555
NET EARNINGS (LOSS) FOR THE PERIOD	<u>(67,622)</u>	<u>70,471</u>	<u>562,173</u>	<u>386,879</u>
DEFICIT, BEGINNING OF PERIOD	(34,633,431)	(36,326,263)	(35,263,226)	(36,642,671)
DEFICIT, END OF PERIOD	<u>(34,701,053)</u>	<u>(36,255,792)</u>	<u>(34,701,053)</u>	<u>(36,255,792)</u>
EARNINGS PER SHARE (basic and fully diluted):	<u>(\$0.00)</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

Versatile Systems Inc.
Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

Expressed in U.S. dollars

	Three months ended March 31		Nine months ended March 31	
	2008	2007	2008	2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net earnings (loss) for the period	\$ (67,622)	\$ 70,471	\$ 562,173	\$ 386,879
Items not affecting cash				
Amortization of capital and intangible assets	261,951	249,562	757,022	880,136
Loss on disposal of capital assets	-	-	212	400
Stock-based compensation	56,587	129,571	109,890	290,548
Foreign exchange loss	43,375	16,630	67,840	18,906
Future income tax expense (benefit)	(118,978)	(168,111)	(192,609)	(543,555)
Cash flow from operations before other items	175,313	298,123	1,304,528	1,033,314
Net change in non-cash working capital items	2,597,341	(1,450,083)	1,534,730	(2,039,793)
	<u>2,772,654</u>	<u>(1,151,960)</u>	<u>2,839,258</u>	<u>(1,006,479)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchase of net assets	-	-	2,541	-
Proceeds from disposition of capital assets	-	-	1,867	1,940
Additions to capital and intangible assets	(155,839)	(36,058)	(463,711)	(391,313)
	<u>(155,839)</u>	<u>(36,058)</u>	<u>(459,303)</u>	<u>(389,373)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	319,923	416,202	513,417
Purchase of Company shares	(219,791)	-	(307,269)	-
Repayment of the line of credit	-	685,486	(3,383)	1,312,859
Increase (decrease) in the bank overdraft	(1,147,336)	12,010	150,612	(311,212)
Repayment of the Bank Term Loan	(2,749,263)	-	(2,749,263)	-
Repayment of the Term Loan	-	-	(175,000)	-
Repayment of the Promissory Notes	(20,000)	-	(20,000)	-
Repayment of capital lease obligations	(844)	(2,114)	(4,748)	(5,226)
	<u>(4,137,234)</u>	<u>1,015,305</u>	<u>(2,692,849)</u>	<u>1,509,838</u>
Effect of foreign exchange rate on cash	(276,896)	(17,343)	53,192	(5,188)
Increase in cash and cash equivalents	(1,797,315)	(190,056)	(259,702)	108,798
CASH and cash equivalents, beginning of period	4,906,700	397,864	3,369,087	99,010
CASH and cash equivalents, end of period	<u>\$ 3,109,385</u>	<u>\$ 207,808</u>	<u>\$ 3,109,385</u>	<u>\$ 207,808</u>