

Versatile reports record revenues of over U.S. \$17 million for its second quarter

Gross profit of U.S. \$3,952,713 at a record level

Vancouver, Canada January 29, 2007 – Versatile Systems Inc. (TSX Venture Exchange symbol: VV), today announces its results for the period ended December 31, 2006.

Revenue for the three months ended December 31, 2006 was \$17,140,576 compared to \$15,128,708 for the same quarter last year, an increase of \$2,011,868. The Company enjoyed strong repeat business from its existing customer base, as well as generating significant sales from new customers in multiple verticals. The EBITDA for the quarter was \$566,993 compared to EBITDA of \$183,255 for the same quarter last year.

“We are pleased with the continued improvement of the Company’s financial performance throughout all segments of our business,” said John Hardy, Chairman and CEO of Versatile. “We have added a number of significant new customers and partners in the pharmaceutical, broadband, consumer product goods and financial services sectors. We have also seen a growing market for our wireless and mobile solutions. This activity was reflected in the current quarter and will form the foundation for future growth throughout the balance of our fiscal year.”

As a result of the impact of non-cash entries on the financial results, Versatile has included information concerning EBITDA as it may be used by certain investors as one measure of the Company’s financial performance. Versatile also incurred a stock-based compensation charge, which is not included in EBITDA, for the quarter of \$134,916 compared to \$32,304 for the same quarter last year. Net Earnings for the quarter amounted to \$178,828 (\$0.00 per share) compared to Net Earnings of \$621,720 (\$0.01 per share) for the same period last year. The comparative figure last year included a future income tax benefit of \$813,129 compared to \$50,503 this quarter.

“Strong EBITDA growth has been aided by higher margins and by managing our expenses,” said Fraser Atkinson, CFO of Versatile. “The trend for the 2007 fiscal year is well ahead of last year as evidenced by the gross profit dollars being over 36% higher and the EBITDA over three times higher than the comparable quarter last year.”

Highlights of the second quarter included:

- Revenue of \$17,140,576 compared to \$15,128,708 for the same period last year, an increase of \$2,011,868,
- EBITDA of \$566,993 for the quarter compared to EBITDA of \$183,255 for the same period last year,
- The cash flow from operations, before the non-cash working capital items, improved to \$573,466 in the quarter compared to cash flow of \$143,188 for the same quarter last year,
- Tyco Electronics Corporation introduced the *SyncSeer*[™] system, which is powered by Versatile’s *Mobiquity Transaction Engine*[™],
- Tyco Electronics Corporation and Versatile entered into alliances with M/A-COM, Inc. and Panasonic Security Systems,
- Tyco Electronics Corporation and Versatile deployed *SyncSeer*[™] at Wake Forest University,
- Customization and deployment of 3,500 handheld devices with a further 2,500 devices expected to be deployed before the year-end,
- Deployment of one of the world’s largest wireless local area networks, at Ohio State University,
- An upgrade of a laboratory and development environment for a leading pharmaceutical company,

- Design and implementation of a storage and virtualization system for a regional media company,
- Deployment of a Video on Demand system for one of the world's largest cable companies including the data base servers and web servers for the Video search, as well as upgrading the Network Attached Storage and architecting the platform for the next generation residential portal, and
- Pilot of *Mobiquity Kiosk*TM as a Tablet-based kiosk solution for an electronics retailer.

Revenue for the six months ended December 31, 2006 was \$31,645,268 compared to \$29,098,113 for the same period last year, an increase of \$2,547,155. The EBITDA for the period was \$795,635 compared to an EBITDA of \$197,090 for the same period last year. Net Earnings for the period amounted to \$316,408 (\$0.00 per share) compared to \$600,843 (\$0.01 per share) for the same period last year.

Technology Development

During the quarter Versatile had many feature improvements to current product lines.

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

- Completion of development and testing of Panasonic video camera integration including support for Network Video Recorders and IP-based Cameras. Functionality includes video capture, archiving, motion detection, and delivery of pictures and video to hand held devices,
- Completion of development and testing of Point Six sensor integration including support for the following types of sensors: temperature, humidity, infrared door, magnetic door, motion, vibration, and voltage, and
- Completion of development and testing of network device trapping integration. This includes the ability to detect and trap various network life cycle events using the SNMP standard.

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

- Implementation of a Smart Shelving prototype using near-field passive RFID, *Mobiquity Transaction Engine 3.0*TM processing with the *Mobiquity Kiosk*TM Engine to deliver a product-focused customer kiosk experience,
- Enhancements to support Full-Screen video and video rotation for Kiosk advertising, and
- Enhancements to the *Mobiquity Kiosk*TM Engine to support wireless tablet computers for GE Money.

Versatile has historically prepared its consolidated financial statements in Canadian dollars. The majority of Versatile's operations are in the United States and as a result it has a significant and growing U.S. customer base. Further, the majority of its global revenue and assets are denominated in U.S. dollars. Effective July 1, 2006, the functional currency of the Company changed to the U.S. dollar and the Company adopted the U.S. dollar as its reporting currency. The financial information for all of the prior periods have been translated into the new reporting currency.

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***

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Versatile Systems Inc.
Consolidated Balance Sheets

(Unaudited - prepared by management)

Expressed in U.S. dollars

December 31, 2006 June 30, 2006
(Restated)

ASSETS

Current Assets

Cash and cash equivalents	\$ 397,864	\$ 99,010
Accounts receivable	10,456,547	10,658,843
Current portion of deferred contract costs	2,724,294	3,117,610
Work in progress	59,749	28,050
Prepaid expenses	944,572	845,556
Inventory	1,137,538	938,229
Future income tax benefits	896,999	900,546

16,617,563 16,587,844

Long term accounts receivable

186,844 -

Deferred contract costs

372,860 461,793

Capital Assets

541,724 325,067

Intangible assets

1,713,576 2,207,665

Future income tax benefits

3,882,584 3,529,635

Goodwill

9,914,350 9,914,350

\$ 33,229,501 \$ 33,026,354

LIABILITIES

Current Liabilities

Line of credit	\$ 998,133	\$ 370,760
Bank overdraft	434,746	757,968
Accounts payable and accrued liabilities	10,422,349	10,428,436
Current portion of deferred revenue	4,400,728	4,937,709
Current portion of bank term loan	2,749,263	-
Term loan	175,000	-
Convertible debenture	-	107,594
Current portion of capital lease obligations	6,423	6,422

19,186,642 16,608,889

Deferred Revenue

430,048 533,733

Capital Lease Obligations

1,636 4,748

Bank Term Loan

- 2,749,263

Term Loan

- 175,000

19,618,326 20,071,633

SHAREHOLDERS' EQUITY

Share Capital	47,170,880	44,473,680
Shares to be issued	-	2,502,079
Warrants	538,144	538,144
Contributed surplus	2,551,380	2,392,030
Deficit	(36,326,263)	(36,642,671)
Foreign currency translation adjustment	(322,966)	(308,541)

13,611,175 12,954,721

\$ 33,229,501 \$ 33,026,354

Versatile Systems Inc.**Consolidated Statements of Operations and Deficit**

(Unaudited - prepared by management)

<i>Expressed in U.S. dollars</i>	Three months ended		Six months ended	
	December 31		December 31	
	2006	2005	2006	2005
		(Restated)		(Restated)
SALES	\$ 17,140,576	\$ 15,128,708	31,645,268	\$ 29,098,113
COST OF SALES	13,187,863	12,234,114	24,713,872	23,320,892
	3,952,713	2,894,594	6,931,396	5,777,221
EXPENSES				
General and administrative	1,180,790	1,012,790	2,164,659	2,106,503
Selling and marketing	1,807,753	1,246,735	3,335,843	2,604,438
Research and development	262,261	419,510	474,282	808,246
Stock-based compensation	134,916	32,304	160,977	60,944
	3,385,720	2,711,339	6,135,761	5,580,131
Earnings before interest, taxes and amortization	566,993	183,255	795,635	197,090
Amortization of capital assets	87,336	19,425	136,260	73,537
Amortization of intangible assets	222,489	282,868	494,314	554,671
Interest	80,321	61,243	174,775	171,539
EARNINGS (LOSS) BEFORE INCOME TAXES	176,847	(180,281)	(9,714)	(602,657)
Current income tax expense	(48,522)	(11,128)	(49,322)	(13,804)
Future income tax benefit	50,503	813,129	375,444	1,217,304
NET EARNINGS FOR THE PERIOD	178,828	621,720	316,408	600,843
DEFICIT, BEGINNING OF PERIOD	(36,505,091)	(40,722,104)	(36,642,671)	(40,701,227)
DEFICIT, END OF PERIOD	(36,326,263)	(40,100,384)	\$ (36,326,263)	\$ (40,100,384)
EARNINGS PER SHARE (basic and fully diluted):	\$0.00	\$0.01	\$0.00	\$0.01

Versatile Systems Inc.
Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

<i>Expressed in U.S. dollars</i>	Three months ended		Six months ended	
	December 31		December 31	
	2006	2005	2006	2005
		(Restated)		(Restated)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net earnings for the period	\$ 178,828	\$ 621,720	\$ 316,408	\$ 600,843
Items not affecting cash				
Amortization of capital and intangible assets	309,825	302,293	630,574	628,208
Gain on sale of capital assets	400	-	400	-
Stock-based compensation	134,916	32,304	160,977	60,944
Future income tax benefit	(50,503)	(813,129)	(375,444)	(1,217,304)
Cash flow from (used in) operations before other items	573,466	143,188	732,915	72,691
Net change in non-cash working capital items	(2,213,273)	(1,153,752)	(589,710)	102,278
	(1,639,807)	(1,010,564)	143,205	174,969
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Proceeds from disposition of capital assets	400	-	1,940	-
Additions to capital assets	(259,144)	(11,520)	(355,255)	(61,081)
	(258,744)	(11,520)	(353,315)	(61,081)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares	28,435	-	193,494	341,777
Share Issue Costs	-	-	-	(3,787)
Repayment of (proceeds from) line of credit	998,133	17,156	627,373	(289,844)
Repayment of (proceeds from) the bank overdraft	320,051	711,111	(323,222)	593,318
Repayment of the Quarterly Payments	-	(68,750)	-	(137,500)
Repayment of VAC Notes	-	(666,667)	-	(666,667)
Repayment of capital lease obligations	(1,580)	(1,016)	(3,112)	(2,287)
	1,345,039	(8,166)	494,533	(164,990)
Effect of foreign exchange rate on cash	15,651	12,715	14,431	6,258
Increase in cash and cash equivalents	(537,861)	(1,017,535)	298,854	(44,844)
CASH and cash equivalents, beginning of period	935,725	1,122,494	99,010	149,803
CASH and cash equivalents, end of period	\$ 397,864	\$ 104,959	\$ 397,864	\$ 104,959