A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement (as defined below), these securities may not be offered or sold in the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PRELIMINARY PROSPECTUS

Initial Public Offering and Secondary Offering September 20, 2011

avigilon

AVIGILON CORPORATION

$ ●

● Common Shares

This prospectus (this "**Prospectus**") qualifies the distribution of common shares ("**Common Shares**" with each Common Share offered pursuant to this Prospectus, an "**Offered Share**") in the capital of Avigilon Corporation ("**Avigilon**" or the "**Corporation**") of which (i) ● Offered Shares are being issued and sold by Avigilon (the "**Treasury Offering**") at a price of $ ● (the "**Offering Price**") per Offered Share for gross proceeds to Avigilon of $ ● , and (ii) ● Offered Shares are being sold by certain of the existing shareholders of Avigilon (the "**Secondary Offering**", and together with the Treasury Offering, the "**Offering**") referred to under "*Principal and Selling Shareholders*" (collectively, the "**Selling Shareholders**") at the Offering Price for aggregate gross proceeds to the Selling Shareholders of $ ● . Avigilon will not receive any proceeds from the Secondary Offering.

The Offered Shares are being offered by Raymond James Ltd., BMO Nesbitt Burns Inc. and GMP Securities L.P. (collectively, the "**Underwriters**") pursuant to an agreement among Avigilon, the Selling Shareholders and each of the Underwriters dated ● , 2011 (the "**Underwriting Agreement**"). The Offering Price has been determined by negotiation between Avigilon and the Underwriters.

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell the Offered Shares purchased under this Prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares and the extent of issuer regulation. See "*Risk Factors*".

Price: $ ● per Offered Share

	Price to the Public(1)	Underwriters' Fee(1)	Net Proceeds to Avigilon(2)	Net Proceeds to the Selling Shareholders(2)
Per Offered Share	$ ●	$ ●	$ ●	$ ●
Total Offering(3)	$ ●	$ ●	$ ●	$ ●

Notes:

(1) Pursuant to the terms and conditions of the Underwriting Agreement, the Underwriters will receive a cash fee (the "**Underwriters' Fee**") equal to six percent (6%) of the gross proceeds of the Offering, or $ ● per Offered Share. See "*Plan of Distribution*".

(2) These figures are after deducting the Underwriters' Fee, but before deducting expenses of the Offering, including preparation and filing of this Prospectus, which expenses are estimated to be $ ● . Avigilon will pay the expenses associated with the Offering other than the Underwriters' Fee, which will be paid proportionately by Avigilon and the Selling Shareholders based on the respective number of Offered Shares sold by each pursuant to the Offering. See "*Principal and Selling Shareholders*" and "*Plan of Distribution*".

(3) The Corporation and the Selling Shareholders have agreed to grant to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time and from time to time for a period of 30 days following the closing of the Offering (the "**Closing**"), to purchase up to an additional ● Offered Shares (the "**Over-Allotment Shares**"), with ● Over-Allotment Shares being sold by the Corporation and ● Over-Allotment Shares being sold by the Selling Shareholders on a pro-rata basis, on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total Price to the Public, the Underwriters' Fee, the Net Proceeds to Avigilon and the Net Proceeds to the Selling Shareholders will be $ ● , $ ● , $ ● and $ ● , respectively. This Prospectus qualifies the distribution of the Over-Allotment Shares. A purchaser who acquires securities forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See "*Plan of Distribution*".

Analog/digital hybrid

HD

A Better Solution – HD video surveillance.

The Avigilon System is a complete, end-to-end HD video surveillance solution designed to deliver higher image quality and to require lower bandwidth.

avigilon

end-to-end surveillance system

HIGH-QUALITY IMAGE CAPTURE

A wide range of megapixel (MP) cameras from 1 MP – 29 MP

large, growing market

Public and private sector organizations worldwide are seeing the need for better video surveillance systems.

strong momentum

Founded in 2004, Avigilon has achieved solid market penetration and revenue growth.

INTELLIGENT DATA MANAGEMENT

Avigilon's High-Definition Stream Management (HDSM) intelligently manages HD video, saving bandwidth and reducing costs while maintaining high image detail

ADVANCED SOFTWARE

Easy to use

Quick image retrieval

Scalable to meet all requirements

Video Surveillance Market

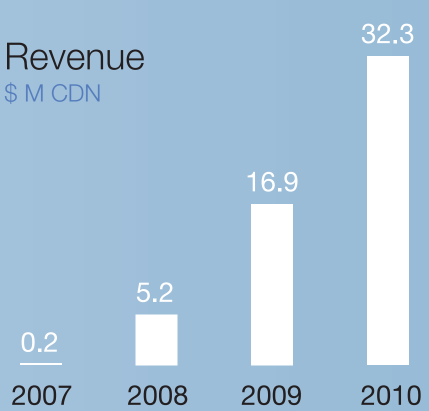
$16B in 2011 (est)

$29B by 2015

Source: ABI Research, "The Video Surveillance Market"

government
ports of entry
utilities
petrochemical plants
public transportation
large public venues
high-end retail shops
educational institutions
healthcare institutions
banking and finance centres
commercial real estate
high-end residential
casinos

Revenue
$ M CDN



>10,000

customer sites worldwide

The following table sets out the number of Offered Shares that may be issued and sold pursuant to the Over-Allotment Option:

Underwriters' Position	Maximum Number of Offered Shares Available	Exercise Period	Exercise Price per Offered Share
Over-Allotment Option	● Offered Shares	30 days following the Closing	$ ●

An investment in the Offered Shares should be considered highly speculative given the proposed nature of Avigilon's business and the present state of Avigilon's development. **Investments in small businesses involve a high degree of risk, and investors should not invest any funds in the Offering unless they can afford to lose their entire investment. See "*General Development and Business of Avigilon*" and "*Risk Factors*".**

Avigilon has applied to list the securities distributed under this Prospectus on the Toronto Stock Exchange (the "**TSX**"). Listing will be subject to Avigilon fulfilling all of the listing requirements of the TSX.

The Underwriters, as principals, conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by Avigilon and sold by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and the approval of certain legal matters on behalf of Avigilon by Fasken Martineau DuMoulin LLP, on behalf of the Selling Shareholders by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Underwriters by Wildeboer Dellelce LLP.

Subscriptions for the Offered Shares will be received subject to acceptance or rejection in whole or in part by Avigilon and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will take place, and the Underwriters will be required to take up the Offered Shares, on or about ● , 2011 or such other date as Avigilon and the Underwriters may agree, but in any event not later than ● , 2011 (the date on which Closing occurs being the "**Closing Date**").

It is anticipated that one or more global certificates representing the Offered Shares will be issued and registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS. No beneficial holder of such Offered Shares will receive definitive certificates representing their interest in such securities. Beneficial holders of Offered Shares will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is acquired. Notwithstanding the foregoing, Offered Shares issued to purchasers in the United States will be in the form of a definitive certificate delivered to the holders thereof. See "*Plan of Distribution*".

In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Avigilon's head office is located at 1038 Hamilton Street, Suite 406, Vancouver, British Columbia, V6B 2R9 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

Prospective investors should rely only on the information contained in this Prospectus relating to the Offering. Neither the Underwriters, the Selling Shareholders nor Avigilon have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Underwriters, the Selling Shareholders nor Avigilon are making an offer to sell the Offered Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Prospectus relating to the Offering is accurate only as of the date of this Prospectus. Avigilon's business, financial condition and prospects may have changed since such date. If, after a receipt for this Prospectus is issued but before the completion of the Offering under this Prospectus, a material change occurs, Avigilon will be required to file and deliver to investors an amendment to this Prospectus within 10 days after the material change occurs.

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GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, the terms "**Avigilon**" or the "**Corporation**" refers to Avigilon Corporation and its direct and indirect subsidiaries as constituted on the Closing Date, and the term "**Management**" refers to the management of Avigilon.

Unless otherwise specified, this Prospectus gives effect to the automatic conversion of the Class A Preferred Shares in the capital of Avigilon (the "**Class A Preferred Shares**") that will occur immediately prior to the Closing of the Offering. See "*Description of the Securities – Conversion of the Class A Preferred Shares*".

Certain names and marks used by the Corporation, including The Best Evidence™ and Avigilon™, are trademarks of Avigilon, and the Corporation has applied for certain other trademarks. This Prospectus also includes references to trade names and trademarks of companies other than Avigilon, which trade names and trademarks are the properties of their respective owners.

For the periods leading up to and including December 31, 2010, the financial statements of Avigilon have been prepared in accordance with Canadian GAAP, and for the periods thereafter, in accordance with IFRS. All dollar amounts in this Prospectus are expressed in Canadian dollars, except as otherwise indicated.

CURRENCY AND EXCHANGE RATE

The following table sets forth, for each period indicated, the exchange rates of the Canadian dollar to the US dollar at the end of such period and the high, low, average (based on the exchange rate on the last day of each month during such period) exchange rates for such period (such rates, which are expressed in Canadian dollars, are based on the noon buying rate for US dollars as reported by the Bank of Canada).

	Year ended December 31			Six months ended June 30	
	2008	**2009**	**2010**	**2010**	**2011**
Rate at the end of period	$0.8166	$0.9555	$1.0054	$0.9429	$1.0370
Average rate during period	$0.9381	$0.8757	$0.9709	$0.9673	$1.0237
Highest rate during period	$1.0289	$0.9716	$1.0054	$1.0039	$1.0542
Lowest rate during period	$0.7711	$0.7692	$0.9278	$0.9278	$0.9978

On September 19, 2011, the Bank of Canada noon spot exchange rate for the purchase of one U.S. dollar using Canadian dollars was $0.9898 (CAD$1.00 = USD$1.0103).

FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, but is not limited to, information with respect to the developments in Avigilon's operations in future periods, the adequacy of Avigilon's financial resources, costs and timing of development and Avigilon's executive compensation approach and practice. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation, those described under "*Risk Factors*" and the following:

- reduced spending by the Corporation's customers that result from changes in spending policies or budget priorities;
- the Corporation's ability to manage risks inherent in foreign operations;

- the Corporation's ability to protect its brand;
- the Corporation's ability to obtain products and parts from suppliers on a timely basis and on favorable terms;
- the Corporation's ability to manage its manufacturing and logistical services successfully;
- the reliability of product manufacturing and assembly and logistical services provided by third parties;
- possible changes in the demand for the Corporation's products;
- the Corporation's ability to successfully execute its business strategies;
- the Corporation's ability to establish new relationships and to build on its existing relationships with integrators and dealers; and
- the Corporation's ability to manage cash flow, foreign exchange risk and working capital.

This list is not exhaustive of the factors that may affect any of the Corporation's forward-looking information. Although Avigilon has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Forward-looking information involves statements about the future and is inherently uncertain, and Avigilon's actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Prospectus under the heading "*Risk Factors*" and elsewhere in this Prospectus. Avigilon's forward-looking information is based on the beliefs, expectations and opinions of management on the date the statements are made, and the Corporation does not assume any obligation to update forward-looking information, whether as a result of new information, future events or otherwise, other than as required by applicable law. For the reasons set forth above, prospective investors should not place undue reliance on forward-looking information.

RELIANCE ON THIRD PARTY INFORMATION

Prospective investors should rely only on information contained in this Prospectus. Neither Avigilon nor the Underwriters have authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. The information contained on Avigilon's corporate website is not intended to be included in or incorporated by reference into this Prospectus and prospective investors should not rely on such information when deciding whether or not to purchase Offered Shares. None of Avigilon, the Selling Shareholders or the Underwriters are making an offer to sell in any jurisdiction where an offer for sale is not permitted.

MARKET DATA AND INDUSTRY FORECASTS

Unless otherwise indicated, information contained in this Prospectus concerning Avigilon's industry and the markets in which Avigilon operates, including the Corporation's general expectations and market position, market opportunity and market share, is based on information from independent industry analysts and third party sources (including Allied Business Intelligence, Inc. ("**ABI Research**") and other industry publications, surveys and forecasts) and Avigilon's internal research and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third party sources, as well as data from Avigilon's internal research, and are based on assumptions made by the Corporation based on such data and its knowledge of its industry and markets, which the Corporation believes to be reasonable. Other than ABI Research, none of the sources cited in this Prospectus has consented to the inclusion of any data from its reports, nor has Avigilon sought their consent. The Corporation's internal research has not been verified by any independent source, and the Corporation has not independently verified any third-party information. While Avigilon believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of Avigilon's future performance and the future performance of their industry and the markets in which they operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the "*Risk Factors*" section of this Prospectus and elsewhere in this Prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by third parties or by the Corporation.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, counsel to Avigilon with respect to Canadian legal matters, and Wildeboer Dellelce LLP, counsel to the Underwriters with respect to Canadian legal matters, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**"), on the date of their issue the Common Shares, if listed on a "designated stock exchange" (which includes the TSX), will be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan, registered disability savings plan and tax-free savings account, each as defined in the Tax Act.

Notwithstanding the foregoing, a holder of Common Shares will be subject to a penalty tax if the Common Shares are held in a tax-free savings account and the holder does not deal at arm's length with Avigilon or has a "significant interest" in either Avigilon or in a corporation, partnership or trust with which Avigilon does not deal at arm's length (within the meaning of the Tax Act). Generally, a holder will not have a significant interest in Avigilon provided the holder, together with persons with whom the holder does not deal at arm's length, does not directly or indirectly own 10% or more of the issued shares of any class of the capital stock of Avigilon or of a corporation related to Avigilon (within the meaning of the Tax Act). The Minister of Finance (Canada) has announced proposed amendments to the Tax Act which would extend the application of the penalty tax for holding "prohibited investments" to the annuitant of a registered retirement savings plan or a registered retirement income fund. Prospective investors to whom these rules may apply should consult their own tax advisors as to whether the Common Shares will be a prohibited investment in their particular circumstances.

GLOSSARY

The following is a glossary of certain terms used in this Prospectus.

"2011 Option Plan"	means the new stock option plan adopted by the Board on September 15, 2011 to be effective on Closing;
"AED"	means Arab Emirates Dirham;
"Avigilon System"	means Avigilon's end-to-end surveillance system, including high definition IP cameras and Avigilon Control Center software;
"Board"	means the board of directors of Avigilon;
"CAGR"	means compound annual growth rate;
"Canadian GAAP"	means Canadian generally accepted accounting principles determined with reference to Part V of the Handbook of the Canadian Institute of Chartered Accountants applicable to public enterprises;
"CBCA"	means the *Canada Business Corporations Act*;
"CCTV"	means closed circuit television;
"Class A Conversion Price"	means the Issue Price for a Class A Preferred Share, subject to adjustments for certain dilutive issuances;
"Class A Dividend"	means the cumulative dividend that accrues on each Class A Preferred Share at the rate of 6% per annum of the Issue Price;
"Class A Preferred Shares"	means the Class A Preferred shares in the capital of Avigilon;
"Closing"	means the closing of the Offering;
"Closing Date"	means the date on which the Closing occurs;
"Common Shares"	means the common shares in the capital of Avigilon;
"Conversion Rate"	means the rate at which the Class A Preferred Shares are converted into Common Shares, being equal to the Issue Price, plus any accrued and unpaid Dividends on such Class A Preferred Share, divided by the Class A Conversion Price;
"Drag-Along Provision"	means the provision in the Articles that provides that in the event that holders of equity securities (which includes both Common Shares and Class A Preferred Shares) representing more than 66.7% of the Common Shares on a fully-diluted basis have agreed to transfer such equity securities, then the acquirer of such equity securities may, after offering to purchase all remaining equity securities of Avigilon, require all remaining holders of equity securities to sell all of the remaining equity securities to such acquiror;
"DVR"	means digital video recorder;
"EUR"	means European Monetary Unit;
"GBP"	means pound sterling, the currency of Great Britain;

"H.264" means a standard for video compression, which is one of the most commonly used formats for compressing, transmitting and recording high definition video;

"HDSM" means high definition stream management;

"IAS" means International Accounting Standard;

"IASB" means International Accounting Standards Board;

"IFRS" means International Financial Reporting Standards as issued by the IASB;

"IP" means internet protocol;

"Issue Price" means the original issue price for the Class A Preferred Share of $1.00 per Class A Preferred Share;

"IT" means information technology;

"JPEG" means a method of image compression for digital photography;

"JPEG2000" means a method of image compression for digital photography intended to supersede its predecessor, JPEG;

"Line of Credit" means Avigilon's revolving line of credit with The Toronto-Dominion Bank pursuant to the Demand Operating Facility Agreement dated May 9, 2011;

"Locked-up Shareholders" means the executive officers, directors and employees of Avigilon holding in aggregate approximately 40% of the Common Shares prior to the Closing of the Offering, assuming conversion of the Class A Preferred Shares (● % after the Offering or ● % after the Offering, assuming exercise of the Over-Allotment Option in full), that have entered into lock-up agreements with the Underwriters.

"lossy compression" means the act of compressing image data such that there is perceptible loss of visual detail;

"MPEG" is a standard for video compression;

"Note 16" means Note 16 of the Corporation's unaudited interim consolidated condensed financial statements for the three months ended June 30, 2011;

"NTSC" means the National Television Standards Committee, and is a reference to the analog television standard such committee created in the mid-twentieth century that has been used in North America and other parts of the world since its creation;

"NVR" means network video recorder;

"OEM" means original equipment manufacturer;

"Offered Shares" means the Common Shares being offered pursuant to this Prospectus;

"Offering" means the Treasury Offering and the Secondary Offering;

"Old Option Plan" means Avigilon's former stock option plan dated June 13, 2008;

"Over-Allotment Option" means the option granted by the Corporation and the Selling Shareholders to the Underwriters to purchase the Over-Allotment Shares;

"Over-Allotment Shares"	means the Common Shares that may be sold in connection with the exercise of the Over-Allotment Option;
"PAL"	means Phase Alternating Line, an analog television standard used in Europe and other parts of the world;
"plug-and-play"	is a reference to the convenience of little or no setup being required in order to use a device;
"PoE"	means power-over-Ethernet;
"Preferred Share Rights"	means the rights, privileges, restrictions and conditions attached to the Class A Preferred Shares;
"QImaging"	means Quantitative Imaging Corporation;
"Secondary Offering"	means the offering of Offered Shares by the Selling Shareholders pursuant to this Prospectus;
"Selling Shareholders"	means, collectively, British Columbia Discovery Fund (VCC) Inc. and Mustafa Evren Kutlubay;
"Share Rights"	means the rights, privileges, restrictions and conditions attached to the Common Shares and the Class A Preferred Shares;
"SMT"	means surface mount technology;
"Special Meeting"	means the special meeting of the shareholders of Avigilon to be called by the Board and held prior to the Closing of the Offering to propose certain amendments to the Articles of Avigilon;
"Tax Act"	means the Income Tax Act (Canada);
"Treasury Offering"	means the offering of Offered Shares by Avigilon pursuant to this Prospectus;
"TSX"	means the Toronto Stock Exchange;
"Underwriters"	means Raymond James Ltd., BMO Nesbitt Burns Inc. and GMP Securities L.P.;
"Underwriters' Fee"	means a cash fee equal to 6% of the gross proceeds of the Offering;
"USD"	means United States Dollars;
"VGA"	means video graphics array, a basic standard for resolution display; and
"visually lossless compression"	means the act of compressing image data such that there is no perceptible loss of visual detail.

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. This summary does not contain all of the information you should consider before investing in the Offered Shares. Before deciding to invest in the Offered Shares, you should read this entire Prospectus carefully, including Avigilon's financial statements and the related notes and the information set forth under the headings "Management's Discussion and Analysis" and "Risk Factors". All dollar amounts in this Prospectus are in Canadian dollars unless otherwise indicated.

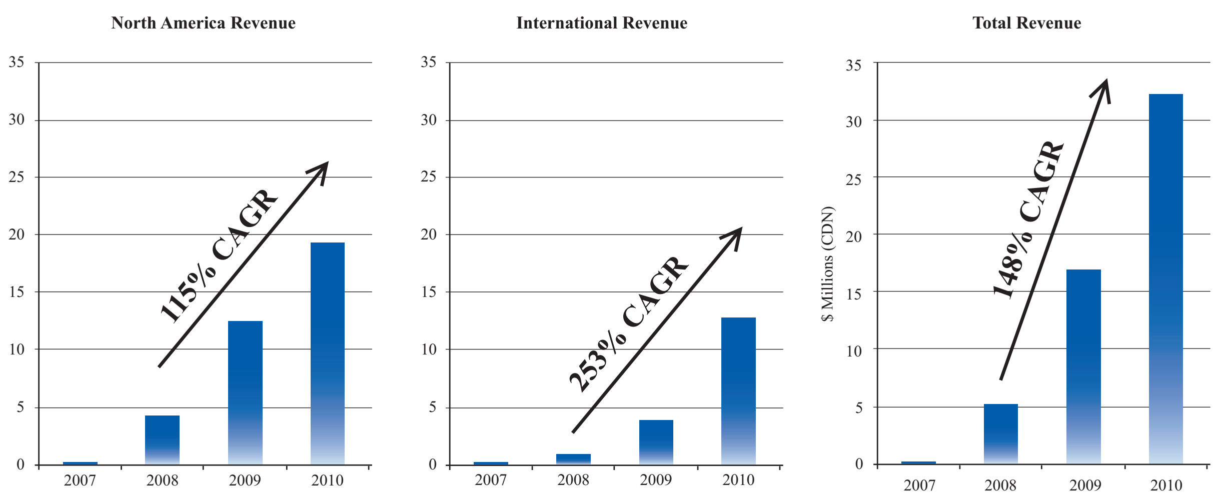
The Corporation

Avigilon was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on October 22, 2004 as "Avigilon Corporation". On June 17, 2008, the articles of Avigilon (the "**Articles**") were amended to: (i) create the Class A Preferred Shares; (ii) amend the rights, privileges, restrictions and conditions attached to the Common Shares; and (iii) attach certain rights, privileges, restrictions and conditions to the Class A Preferred Shares. Avigilon has one wholly-owned material subsidiary, Avigilon UK Limited ("**Avigilon UK**"), which was incorporated under the laws of the United Kingdom on September 17, 2007 and operates as a cost centre for Avigilon's activities in the United Kingdom.

Business

Avigilon is a leader in the design, manufacturing and marketing of high definition, network-based video surveillance systems and equipment for the global security market. The Avigilon surveillance system (the "**Avigilon System**") has been designed to provide high quality video capture, transmission, recording and playback. The components of the Avigilon System include cameras, recording hardware and software which may be sold separately or in combination to provide customers with a customizable end-to-end video surveillance solution. These components have sophisticated features and capabilities that provide the Avigilon System with the versatility to be configured and deployed in many different applications in a variety of industries. Avigilon also sells accessories to complement its system.

Since the commercial launch of the Avigilon System in 2007, Avigilon has experienced significant growth in sales. Since 2008, its first full year of sales, up to and including 2010, the compound annual growth rate ("**CAGR**") of revenue has been 148%.



Strategy

Management believes that Avigilon is well positioned to take advantage of the current market shift from analog and analog/digital-hybrid systems to fully digital high definition IP surveillance systems. In order to do so, Avigilon plans to undertake several initiatives, including increasing brand awareness, effectively pricing its products, targeting new market segments, developing new products and improving current products.

Avigilon's sales personnel promote the Avigilon System and its components directly to end users and sell through a global network of integrators and dealers. Avigilon plans to increase the number of its sales personnel and to increase the number of its integrators and dealers through increased brand awareness from advertising, attending industry trade shows and by continuing its development and release of innovative products and features.

Avigilon plans to continue using the pricing combination of hardware and software licensing to increase its market share. Avigilon designs and manufactures its own products, which enables Avigilon to maintain their quality.

Customers in different business sectors have particular security system needs, depending on the nature of their business and the premises that they need to monitor. Within the video surveillance industry, there are several vertical markets that have specialized needs and requirements. Examples of such specialized requirements include: (i) hardened impact resistant enclosures for cameras deployed in prisons; (ii) cameras and enclosures that are weatherproofed for various outdoor installations, such as for traffic monitoring and perimeter detection; (iii) wireless data transmission for remote installations; and (iv) infrared illumination for enhanced night vision. Management further believes that new applications are emerging for video surveillance systems and plans to target such markets. Management believes some system and equipment suppliers have focused on only a few vertical markets and ignored others. The Avigilon System has been designed so that it can be customized and scaled to suit the needs of many vertical markets.

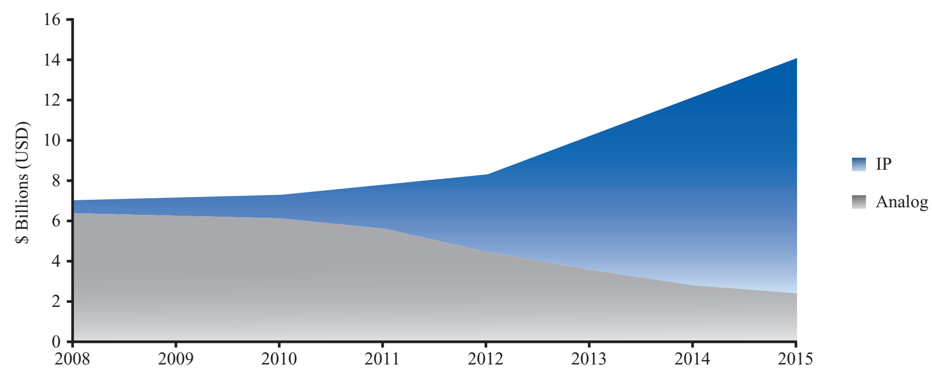
Avigilon plans to continue creating new products and to improve and enhance its existing hardware and software. Avigilon also plans to invest in additional software, hardware, development tools and equipment, including specialized computer systems, to support new employees and fund new products developed through to production.

Markets

The security surveillance market is large and growing rapidly. Avigilon believes that security threats, including terrorism and crime, are increasing around the world and generating greater demand from a wide range of businesses, individuals and governments for surveillance equipment to help protect assets and people. Avigilon also believes that the market wants more sophisticated and versatile video surveillance solutions that have more features than simply recording and playing back images.

The worldwide surveillance equipment market is expected to increase from USD$16 billion in 2011 to over USD$29 billion in 2015 (Source: ABI Research: *The Video Surveillance Market*, July 2010 (the "**ABI Report**")). As shown in the chart below, the IP (digital) camera portion of the global security surveillance equipment market is estimated to grow at over 49% CAGR from 2008 to 2015, while the closed circuit television ("**CCTV**") (analog) video surveillance camera portion of such market is expected to decrease by 13% over the same period.

Video Surveillance Camera Revenue by Type, World Market, Forecast: 2008-2015



Type	Revenue (USD)	2008	2009	2010	2011	2012	2013	2014	2015	CAGR (08-15)
CCTV (analog)	($ Millions)	6,360	6,241	6,152	5,648	4,425	3,565	2,793	2,415	-13%
IP (digital)	($ Millions)	731	888	1,199	2,149	3,912	6,533	9,384	11,711	49%
Total	($ Millions)	7,091	7,129	7,351	7,797	8,337	10,098	12,177	14,126	10%

Source: ABI Report

Products

The Avigilon System is a fully digital, IP-based Ethernet network solution with high definition IP cameras and network video recorders ("**NVRs**") that has been designed to allow for image capture, storage, transfer and playback of high quality video surveillance footage with visually lossless compression. Avigilon's products include high definition IP cameras, analog video encoders, NVRs, network video management software and a specialized license plate recognition analytics module.

Avigilon has a wide range of high definition IP cameras, from one to 29-megapixels, each of which includes many features. All Avigilon cameras have micro-processors and embedded software. Advanced technology in infrared sensitivity and wide dynamic range imaging capability has been designed into Avigilon's cameras in an effort to allow for the capture of high quality, low-light and high-contrast images and to make automatic adjustments for such conditions. Avigilon's cameras are also power-over-Ethernet ("**PoE**") enabled, and therefore require only a single cable to provide both electric power and network connectivity. Avigilon currently offers three series of cameras: (i) the Pro Series, optimized for high performance on more sophisticated systems and applications; (ii) the HD Series, optimized for both price and performance; and (iii) the H.264 Series, optimized for price and ease of installation.

Avigilon analog video encoders are designed to integrate legacy analog cameras with Avigilon's NVRs and network video management software using standard network equipment. Avigilon NVRs come in different form factors, such as a standard computer rack mount or personal computer workstation format, with a variety of storage capacities to accommodate a smaller single-site low-camera count entry level system as well as a larger sophisticated system with multiple sites and hundreds or thousands of cameras. The NVRs are comprised of an original equipment manufacturer ("**OEM**") network server or computer workstation on which Avigilon pre-installs its network video management software.

Avigilon's network video management software platform is branded as the "Avigilon Control Center" and is available in two editions: "Standard" for smaller-scale projects, and "Enterprise" for larger multi-camera multi-site projects. Either edition can be purchased as a stand-alone software license to be installed on a customer's own off-the-shelf standard computer hardware or purchased pre-installed on an Avigilon network video recorder. The Avigilon Control Center manages all cameras in its network, whether analog or digital, and the associated database of recorded surveillance video.

Avigilon's automatic License/Number Plate Recognition Module (the "**LPR/NPR Module**") can be integrated into the Avigilon System or used as a stand-alone system, and has been designed to allow for automatic single or dual automobile lane license/number plate reading, monitoring and recording. The LPR/NPR Module provides the ability to import and monitor vehicle plate watch lists and provides e-mail alerts and onscreen alarms when a targeted license/number plate is detected.

Avigilon provides a number of customizable accessories for the Avigilon System to suit the specific needs of its customers. These accessories include built-in infrared sensors, night vision enhancement, audio in and audio out, protective enclosures and outdoor mounting kits for cameras, which protect the cameras from hot, cold, wet or dry climates.

Competitive Advantages

Avigilon believes the following competitive advantages position the Corporation well in the market:

- **Innovative Technology** – Avigilon believes that its main technical competitive advantage is its high definition stream management ("**HDSM**") technology, which is embedded in each component of the Avigilon System. Avigilon's HDSM technology has been designed to efficiently and cost-effectively capture, compress and transfer high definition video and audio data throughout the Avigilon System, including data in MPEG, JPEG, JPEG2000 and H.264 video formats. Aspects of Avigilon's HDSM are patent, trade secret, copyright or trademark protected.
- **First to Market** – Management believes that the Avigilon System featuring HDSM was the first complete open-platform, end-to-end, high definition IP surveillance solution on the market capable of working with high definition IP cameras as well as conventional analog cameras.
- **Competitive Manufacturing Costs** – Avigilon's high definition IP cameras cost the same as or less than analog cameras and other brands of IP cameras because Avigilon combines camera firmware (embedded software) design with low-cost hardware manufacturing. Most hardware used by Avigilon for its products are supplied by OEMs that competitively price their products.
- **Fewer Cameras Required** – Because of the high resolution of the images captured and recorded by Avigilon's high definition IP cameras and network video management software, fewer cameras are typically required to capture and record the same area as would be required using analog and analog/digital-hybrid systems.
- **Compatible Equipment** – Many organizations already own surveillance equipment. Rather than necessitating the replacement of an existing surveillance system, the Avigilon System has been designed to integrate with existing equipment to allow for a phased transition and implementation from analog and analog/digital-hybrid systems to a fully-digital IP surveillance system over time as budgets allow.
- **Easy Installation** – The Avigilon System has been designed as a plug-and-play solution, enabling customers with minimal technical skill to set up and operate it.
- **Effectiveness** – Management believes that the ability of the Avigilon System to capture and store large volumes of high resolution video surveillance footage that is quickly and easily searchable and accessible with the Avigilon Control Center software ultimately affords customers longer term cost savings that result from related efficiencies such as reduced need for personnel, lower investigative costs and faster response times.
- **Remote Access** – Designed for remote access, the Avigilon System permits a user to access images captured with up to a 29-megapixel camera from the convenience of their home personal computer, a laptop, compatible smartphone, tablet or other mobile device.
- **Access to Sales Channels** – Whereas many competitors are limited to only one sales channel, Avigilon is able to sell the Avigilon System and its components to both the traditional physical security integrators/dealers and the IT and computer hardware integrators/dealers.

The Offering

Issuer	Avigilon Corporation.
Selling Shareholders:	British Columbia Discovery Fund (VCC) Inc. and Mustafa Evren Kutlubay.
Issue:	● Offered Shares (● Offered Shares if Over-Allotment is exercised in full).
Offering Price:	$ ● per Offered Share.
Treasury Offering:	$ ● .
Secondary Offering:	$ ● .
Over-Allotment Option:	The Corporation and the Selling Shareholders have granted to the Underwriters the Over-Allotment Option to purchase up to an additional ● Over-Allotment Shares at the Offering Price, with ● Over-Allotment Shares being sold by the Corporation and ● Over-Allotment Shares being sold by the Selling Shareholders on a pro-rata basis. The Over-Allotment Option is exercisable, in whole or in part at any time and from time to time, for a period of 30 days following the Closing Date. See "*Plan of Distribution*".
Common Shares outstanding before the Offering:	● Common Shares after giving effect to conversion of the Class A Preferred Shares. See "*Prior Sales*".
Common Shares outstanding after the Offering:	● Common Shares.
Use of Proceeds:	The net proceeds to be received by Avigilon from the Treasury Offering are estimated to be $ ● , after deducting its share of the Underwriters' Fee of $ ● and the expenses of the Offering, which are estimated to be $ ● . Avigilon expects to use the net proceeds from the Treasury Offering as follows: ● approximately $ ● to expand sales and marketing in North America and internationally; ● approximately $ ● to expand product development; and ● the balance for working capital and general corporate and administrative purposes. If the Over-Allotment Option is exercised in full, the Corporation intends to allocate the additional proceeds of $ ● to working capital and general corporate and administrative purposes. While Avigilon currently anticipates that it will use the net proceeds of the Offering received by it as set forth above, Avigilon may re-allocate the net proceeds of the Offering received by it from time to time, having consideration to its strategy relative to the market and other conditions in effect at the time. Pending use of the net proceeds of the Offering, such net proceeds will be invested, in accordance with Avigilon's investment policy guidelines as approved by Avigilon's board of directors (the "**Board**") under the supervision of Avigilon's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**").

	The aggregate net proceeds to be received by the Selling Shareholders from the sale of the Offered Shares pursuant to the Secondary Offering are estimated to be $ ● ($ ● if the Over-Allotment Option is exercised in full), after deducting the Underwriters' Fee payable by the Selling Shareholders. Avigilon will not receive any of the proceeds payable to the Selling Shareholders under the Secondary Offering. The Selling Shareholders will not pay any expenses of the Offering other than the Underwriters' Fee in respect of the Secondary Offering (which expenses will be paid by Avigilon) as the incremental costs of the Secondary Offering are not material. The Selling Shareholders are responsible for any and all legal fees and expenses incurred by legal advisors retained by the Selling Shareholders. See "*Principal and Selling Shareholders*" and "*Use of Proceeds*".
Lock-up Arrangements:	Certain executive officers, directors and employees of Avigilon holding in aggregate approximately 40% of the Common Shares prior to the Closing of the Offering, assuming conversion of the Class A Preferred Shares (● % after the Offering or ● % after the Offering, assuming exercise of the Over-Allotment Option in full) (the "**Locked-up Shareholders**") as well as the Selling Shareholders have entered into lock-up agreements with the Underwriters. The lock-up agreements entered into by the Selling Shareholders provide that, subject to certain exceptions including in connection with the Secondary Offering, the Selling Shareholders may not sell Common Shares or securities convertible or exchangeable into Common Shares (or announce any intention to do so) for the period commencing on the Closing Date and ending on the date that is 180 days after the Closing Date. The lock-up agreements entered into by the other Locked-up Shareholders contain similar lock-up restrictions to those applicable to the Selling Shareholders but the lock-up will only apply in respect of 80% of the Common Shares held by such individuals as of the Closing Date and will not apply in respect of any Offered Shares acquired by such individuals pursuant to the Offering.
Dividend Policy:	Avigilon has not paid dividends to the holders of Common Shares to date and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Avigilon's current policy is to retain its earnings and direct any available cash to fund the development and growth of its business. See "*Dividend Policy*".
Risk Factors:	An investment in the Offered Shares is speculative and involves a high degree of risk. **Investments in small businesses involve a high degree of risk, and investors should not invest any funds in the Offering unless they can afford to lose their entire investment.** See "*Business of Avigilon*" and "*Risk Factors*" for a discussion of certain factors you should carefully consider before deciding to invest in the Offered Shares. Such factors include risks related to: ● *Speculative Nature of Investment* ● *Limited Operating History* ● *New Product Development* ● *Rapid Technological Advancement* ● *Investment in Research and Development* ● *Competition* ● *Software Defects* ● *Suppliers* ● *Reliance on Key Personnel*

- *Market Acceptance*
- *Fluctuation of Quarterly Operating Results*
- *Failure to Succeed in Promoting, Strengthening and Continuing to Establish the Avigilon Brand*
- *Ability to Achieve and Manage Growth*
- *Failure to Expand*
- *Intellectual Property*
- *Intellectual Property Infringement*
- *Product Liability*
- *Conflicts*
- *Barriers to Entry*
- *Exchange Rates*
- *Risk of International Trade*
- *No Long Term Contracts and Significant Customers*
- *Reliance on Vertical Markets*
- *Market for Securities*
- *Use of Proceeds of the Treasury Offering*
- *Additional Regulatory Burden*
- *Need for Future Financings*
- *Future Sales May Cause Dilution*
- *Dividends*

SELECTED FINANCIAL INFORMATION

All audited financial information presented in this Prospectus for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 was prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). All financial information presented herein for the financial year beginning January 1, 2010 (and for the period ended June 30, 2011) was prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The following table sets forth selected consolidated financial information of Avigilon as at and for the periods indicated, which is derived from, and should be read in conjunction with, Avigilon's financial statements and the related notes thereto that are included elsewhere in this Prospectus.

The unaudited interim financial statements have been prepared in accordance with IFRS and include, in the opinion of Management, all adjustments that Management considers necessary for a fair presentation of the financial information set forth in those statements. The interim results for the six months ended June 30, 2011 are not necessarily indicative of the operating results for 2011. Historical results are not necessarily indicative of the results to be expected in future periods. You should read the following financial information together with the information under "*Management's Discussion and Analysis*" and Avigilon's financial statements and the related notes to the financial statements appearing elsewhere in this Prospectus.

	Year ended December 31 (audited)			Six months ended (unaudited)	
	2010 ($)(1)	2009 ($)(1)	2008 ($)(1)	June 30, 2011 ($)(2)	June 30, 2010 ($)(2)
Revenue	32,283,927	16,881,964	5,240,057	26,070,951	13,845,068
Expenses	12,299,470	8,053,767	5,818,073	8,818,151	5,299,608
Income (loss) from operations	2,271,379	151,978	(3,652,143)	2,329,251	866,622
Net Income (loss)	1,547,145	26,171	(2,951,567)	1,198,528	296,335
Basic income (loss) per share	0.06	(0.00)	(0.18)	0.07	0.02
Diluted income (loss) per share	0.05	(0.00)	(0.18)	0.05	0.03
Total assets	19,723,645	13,606,519	9,291,531	27,083,331	15,415,133
Total liabilities	6,403,224	2,575,742	1,443,479	23,100,950	13,301,465
Shareholders' equity	13,320,421	11,030,777	7,848,052	3,982,381	2,113,668

Notes:
(1) Information presented in accordance with Canadian GAAP.
(2) Information presented in accordance with IFRS.

CORPORATE STRUCTURE

Name, Address and Incorporation

Avigilon was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") on October 22, 2004 as "Avigilon Corporation". On June 17, 2008, the articles of Avigilon (the "**Articles**") were amended to: (i) create the Class A Preferred Shares; (ii) amend the rights, privileges, restrictions and conditions attached to the Common Shares; and (iii) attach certain rights, privileges, restrictions and conditions to the Class A Preferred Shares.

Management of Avigilon intends to hold a special meeting of the shareholders of Avigilon prior to the Closing of the Offering (the "**Special Meeting**") in order to approve certain amendments to the Articles, being: (i) to amend the provision for the restriction on transfers of shares, to attach certain rights, restrictions, privileges and conditions to the Common Shares that are typical for a reporting issuer and to amend the rights, privileges, restrictions and conditions attached to the Common Shares and the Class A Preferred Shares (the "**Share Rights**") to remove a drag-along provision for a forced sale of shares in certain circumstances (the "**Drag-Along Provision**"); and (ii) to amend the Articles to eliminate the Class A Preferred Shares and to remove the rights, privileges, restrictions and conditions attached to the Class A Preferred Shares (the "**Preferred Share Rights**"), each of which amendments is to become effective following the conversion of all of the issued and outstanding Class A Preferred Shares upon Closing of the Offering. See "*Description of the Securities – Conversion of the Class A Preferred Shares*".

Avigilon's head office is located at 1038 Hamilton Street, Suite 406, Vancouver, British Columbia V6B 2R9 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

Intercorporate Relationships

Avigilon has one wholly-owned material subsidiary, Avigilon UK Limited ("**Avigilon UK**"), which was incorporated under the laws of the United Kingdom on September 17, 2007 and operates as a cost centre for Avigilon's activities in the United Kingdom. References to Avigilon include its direct and indirect subsidiaries as constituted on the Closing Date.

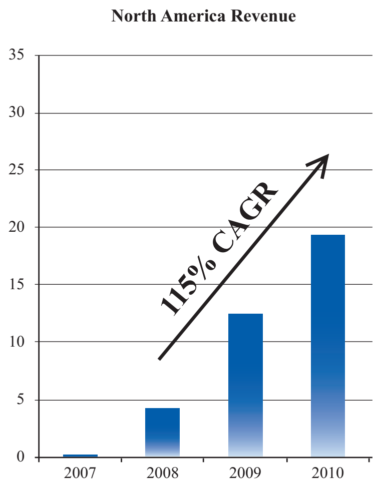
BUSINESS OF AVIGILON

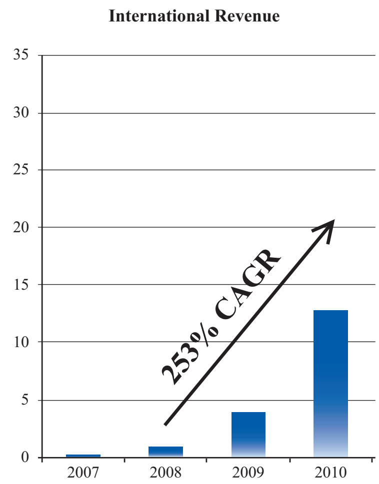
Company Overview

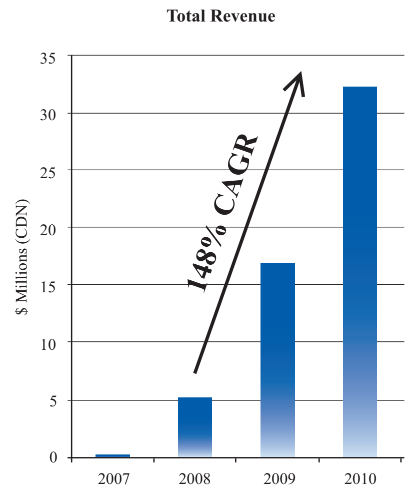
Avigilon is a leader in the design, manufacturing and marketing of high definition, network-based video surveillance systems and equipment for the global security market. The Avigilon surveillance system (the "**Avigilon System**") has been designed to provide high quality video capture, transmission, recording and playback. The components of the Avigilon System include cameras, recording hardware and software, which may be sold separately or in combination to provide customers with a customizable end-to-end video surveillance solution. The features and capabilities of the components provide the Avigilon System with the versatility to be configured and deployed in many different applications in a variety of industries. Avigilon also sells accessories to complement its system.

A significant advantage of the Avigilon System is that it may be installed as a complete video surveillance system or combined with other third party brand components to complement a customer's existing video surveillance infrastructure. In addition, the Avigilon System and its components have been designed to deliver detailed live or recorded images, which may be viewed on a local network or over the Internet. To date, Avigilon Systems have been installed at over 10,000 customer sites in more than 80 countries. Such sites include school campuses, transportation systems, healthcare centres, public venues, critical infrastructure, prisons, factories, casinos, airports, financial institutions, government facilities and retailers. The Avigilon System and its components are promoted by Avigilon sales staff and sold through a global network of more than 800 security equipment integrators and dealers, each of whom are security specialists in their respective regions and have strong reputations and relationships with their end-user customers.

Since the commercial launch of the Avigilon System in 2007, Avigilon has experienced significant growth in sales. Since 2008, its first full year of sales, up to and including 2010, the CAGR of revenue has been 148%.







History of Avigilon

Avigilon's initial focus was on research and development and determining the feasibility of the Avigilon System. By the second quarter of 2006, Avigilon produced its first prototype of the Avigilon System, and in September 2006, Avigilon began selling the Avigilon System to beta users. At that time, Avigilon's cameras ranged in resolution from video graphical array ("**VGA**") to 11-megapixels, and Avigilon's products included network video recorders ("**NVRs**") and video management software. In the fourth quarter of 2007, Avigilon launched the Avigilon System commercially and released its first 16-megapixel camera.

During 2008, Avigilon started establishing its global reseller and distribution network. Avigilon initially targeted and increased sales in the United States, United Kingdom and Canada, while continuing product development. Avigilon improved and further developed its video management software and released its analog video encoder, which allowed the Avigilon System to be integrated with analog cameras. In 2008, Avigilon raised gross proceeds of approximately $6,100,000 through a series of private placements of Class A Preferred Shares with certain investors, including British Columbia Discovery Fund (VCC) Inc.

In 2009, Avigilon continued to build its sales force and sales increased as Avigilon sold into new markets in Europe, the Middle East and Africa. In 2009, Avigilon realized its first profit.

In 2010, Avigilon opened its manufacturing facility in Richmond, British Columbia to internalize several of its manufacturing processes in an effort to reduce cost of goods sold and shorten product delivery time to its customers. Sales continued to grow with expansion into Southeast Asia, Latin America and Eastern Europe and with new security equipment integrators and dealers and more sales staff. Avigilon continued to be profitable in 2010.

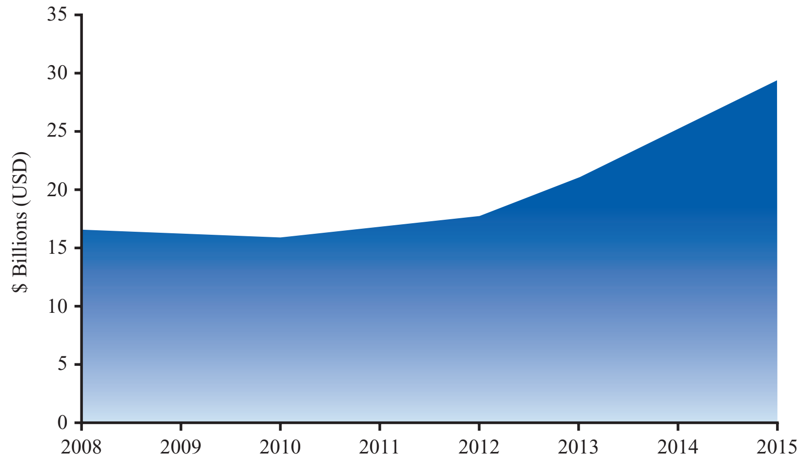
During 2011, Avigilon has continued to focus on research and development in order to advance the performance and efficiency of the Avigilon System. Avigilon continues to improve and refine its video management software and develop and expand its line of cameras, of which there are 38 models. During the third quarter of this year, Avigilon launched a 29-megapixel camera, which Management believes is the highest megapixel surveillance camera available. In addition, Avigilon continues to expand its worldwide network of security integrators and dealers.

Industry Overview

The security surveillance market is large and growing rapidly. Avigilon believes that security threats, including terrorism and crime, are increasing around the world and generating greater demand from a wide range of businesses, individuals and governments for surveillance equipment to help protect assets and people. Avigilon also believes that the market wants more sophisticated and versatile video surveillance solutions that have more features than simply recording and playing back images.

The worldwide surveillance equipment market is expected to increase from USD$16 billion in 2011 to over USD$29 billion in 2015 (Source: ABI Research: *The Video Surveillance Market*, July 2010; the "**ABI Report**".).

World Market Overall Video Surveillance Revenue, Forecast: 2008 to 2015



Source: ABI Report

Trends in the Surveillance Market

Management believes there are three significant trends in the video surveillance market: (i) increased market demand; (ii) technological improvements; and (iii) the integration of IT and security.

Increased Market Demand

Demand for video surveillance equipment and systems is increasing worldwide for a variety of reasons, including:

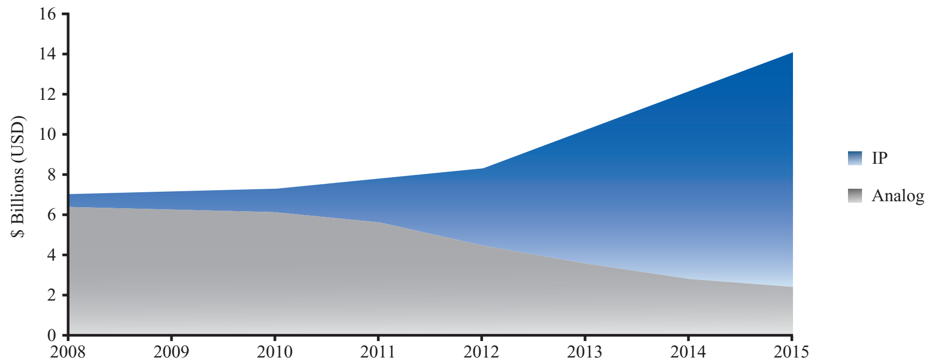
- **Public safety** – International concerns over terrorist attacks have led many governments and large corporations to monitor key infrastructure, such as airports, seaports, dams, power generation facilities and telecommunication and data centres. These organizations are increasingly becoming aware of the usefulness of video surveillance systems and how IT can support those systems.
- **Theft avoidance** – Shoplifting and employee theft are an issue in any economic environment and particularly during economic downturns. Video surveillance systems can help reduce theft and minimize inventory shrinkage, which can make the difference between profit or loss for low margin sectors.
- **Insurance fraud** – Video surveillance systems can be an effective solution to collect evidence to support rejecting and defending insurance and other organizations from fraudulent insurance claims.
- **Regulatory compliance** – Prisons, schools, hospitals, retirement homes, food and drug processing facilities and other public safety and health-related establishments are concerned with compliance with regulations relating to food and health, workplace safety and other matters. Video surveillance systems can be an effective solution to collect information to confirm an organization's compliance with rules and regulations.
- **Staff and asset monitoring** – Video surveillance systems can provide business managers and owners with information regarding attendance of employees. Significant increases in the efficiency of tracking moving assets, such as at shipyards and large warehouses, can be achieved using video surveillance.
- **Increased security** – Facility security managers and supervisors can monitor a site more efficiently with video surveillance because fewer staff are required, and the presence of video surveillance equipment itself can deter security threats.
- **Prevent vandalism** – Video surveillance systems can be a cost-effective way to deter vandals from damaging property.

Technological Improvements

Traditionally, the security video surveillance industry has been primarily reliant on analog television technology, either the analog television technology created by the National Television Standards Committee ("**NTSC**") used predominantly in North America, or the Phase Alternating Line ("**PAL**") used predominantly in Europe. While IP-based and high definition equipment are now common in consumer electronics and medical imaging markets, the security video surveillance market has lagged in its adoption of such technology. In 2009, over 90% of all video surveillance cameras shipped were analog cameras (Source: ABI Report). However, Avigilon believes the security video surveillance market is shifting away from analog camera technology in favour of IP (digital) camera technology.

As shown in the chart below, the IP (digital) camera portion of the global security surveillance equipment market is estimated to grow at over 49% CAGR from 2008 to 2015, while CCTV (analog) video surveillance camera portion of such market is expected to decrease by 13% over the same period. (Source: ABI Report)

Video Surveillance Camera Revenue by Type, World Market, Forecast: 2008-2015



Type	Revenue (USD)	2008	2009	2010	2011	2012	2013	2014	2015	CAGR (08-15)
CCTV (analog)	($ Millions)	6,360	6,241	6,152	5,648	4,425	3,565	2,793	2,415	-13%
IP (digital)	($ Millions)	731	888	1,199	2,149	3,912	6,533	9,384	11,711	49%
Total	($ Millions)	7,091	7,129	7,351	7,797	8,337	10,098	12,177	14,126	10%

Source: ABI Report

Avigilon believes that IP surveillance cameras will become the industry standard once two criteria are met:

- high definition IP surveillance cameras cost the same or less than analog cameras; and
- surveillance video recorders and surveillance video management software are capable of recording in, and compatible with, high definition video formats.

Integration of IT and Security

Avigilon believes that security systems are converging with IT and that organizations can leverage their existing investments in IT network hardware and software by using such hardware and software to support video surveillance applications. In addition, Avigilon believes surveillance recordings are sought more frequently for evidence and other documentary purposes. Increasing demand for video surveillance and storage requires more bandwidth and more efficient storage of video surveillance footage. Maintaining such recordings in an orderly and efficiently accessible fashion is important for users. Digitally recorded video that is stored on an organization's IT network can be archived, retrieved and analyzed faster and more effectively than video recorded on a conventional DVR box that is not linked to the IT network. IT network based digital video surveillance systems can operate over an organization's existing user network and Avigilon believes that overall surveillance system effectiveness and efficiency can be improved by leveraging IT network hardware and software.

Surveillance System Performance Attributes

While video surveillance systems differ, certain performance attributes for capturing and recording video make some systems perform better than others. Not all systems have all attributes, but Avigilon believes those attributes that define the performance of a video surveillance system are:

- **Resolution** – A higher number of pixels to provide a higher quality image;
- **Contrast** – The ability to capture images that simultaneously contain very bright and very dark objects;
- **Sensitivity** – The ability to capture images in dark environments;
- **Frame Rate** – The ability to capture a sequence of images in a certain amount of time;
- **Analog to Digital Conversion** – The quality of the electronic conversion from analog to digital of an image without losing the fine details within such image;
- **Exposure Control** – The ability to optimally control the amount of light that is absorbed by a camera sensor, which ability allows for the full optimization of the quality of a captured image;
- **Bandwidth** – The capacity of a system to transfer data; and
- **Image Compression** – The ability to compress images to minimize usage of bandwidth and storage.

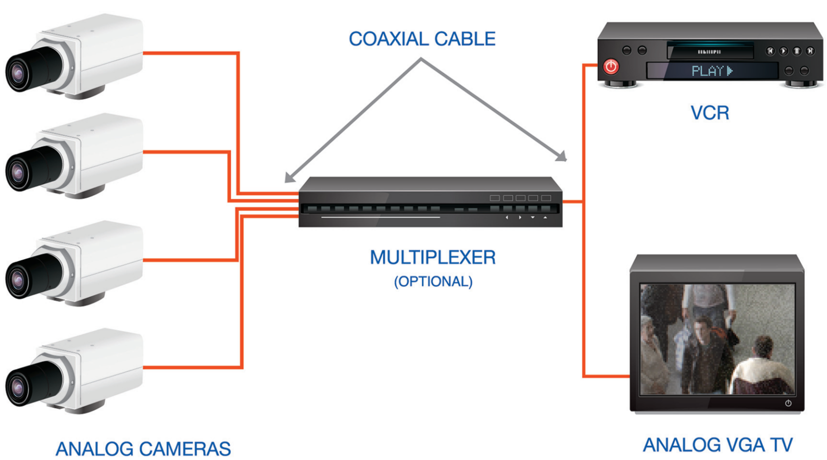
Types of Video Surveillance Systems

All video surveillance systems are generally comprised of one or more cameras, recording devices and viewing stations, and there are essentially three types of video surveillance systems available, being pure analog, analog/digital-hybrid and fully digital IP.

Pure Analog Systems:

Pure analog video surveillance systems are often referred to as CCTV systems and are generally comprised of one or more analog cameras, video cassette recorders ("**VCRs**") and analog monitors.

Schematic of Pure Analog System

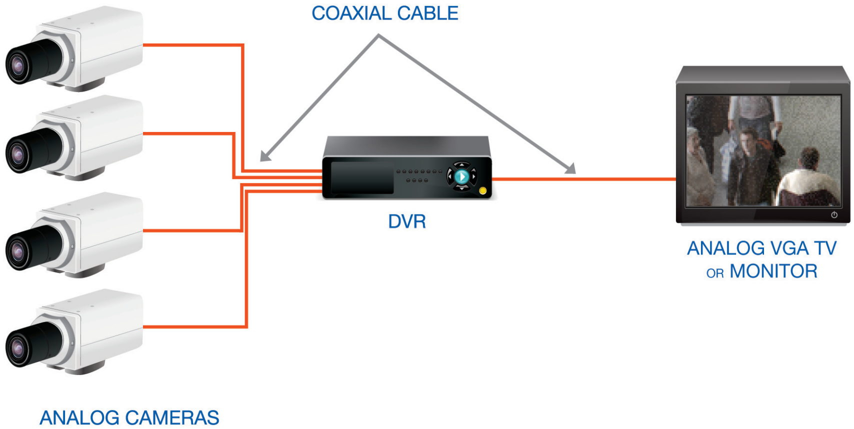


Surveillance VCRs are very similar to those used in the consumer residential market, with VHS cassettes on which video is recorded. The video is not digitally compressed, and if recording at full camera frame rate, approximately eight hours of video can be recorded on a single cassette. For larger systems, a multiplexer can be connected between the cameras and a VCR to record images from several cameras to a single VCR, but this can compromise the image quality as the recorded frame rate per camera is reduced. To view analog video, an analog television monitor is typically used.

Analog/Digital-Hybrid Systems:

Analog/digital-hybrid video surveillance systems are typically comprised of one or more analog cameras, digital video recorders ("**DVRs**") and monitors, which can be an analog television or a computer monitor.

Schematic of Analog/Digital-Hybrid System



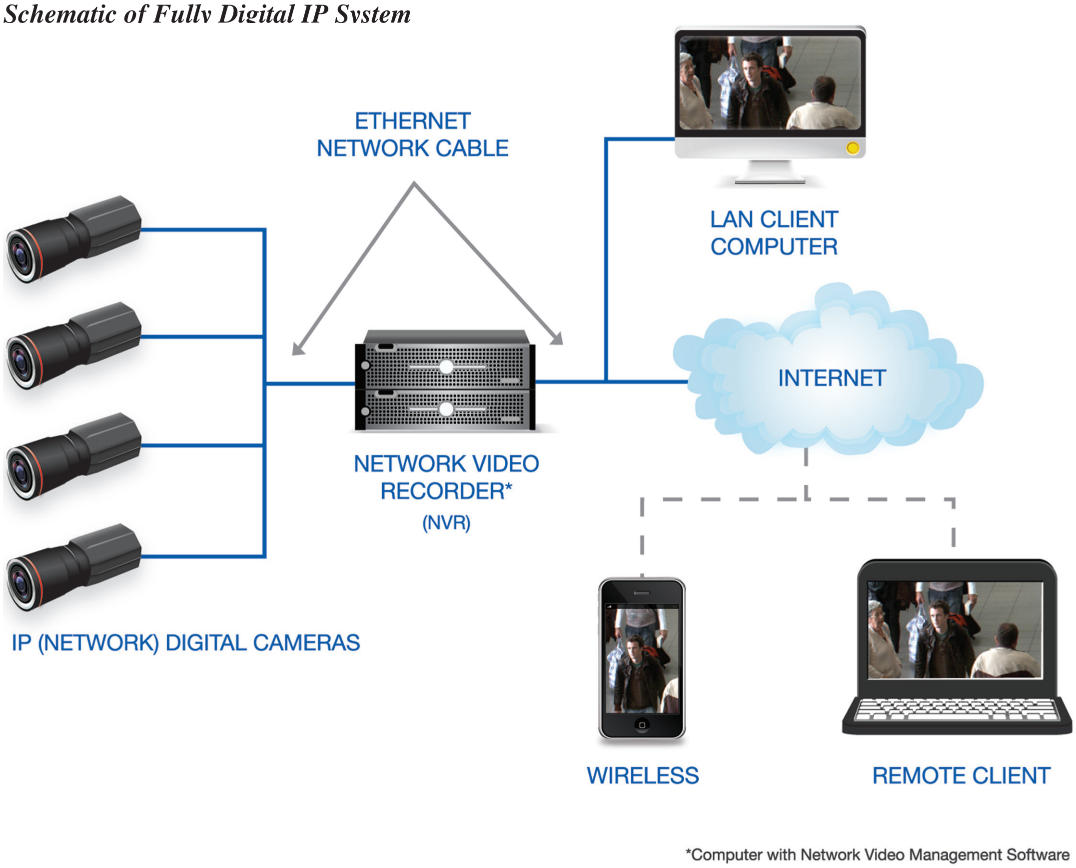
Analog/digital-hybrid systems differ from pure analog systems in that the video is recorded on a computer hard drive disk within a DVR box rather than on a VHS cassette in a VCR. Before the video may be recorded, it must first be digitized and then compressed. Most DVRs have several analog (NTSC or PAL) video inputs, and can typically record 4, 8, or 16 channels simultaneously, which often results in lower frame rate per camera recording and can compromise the image quality.

Analog/digital-hybrid systems have some advantages over pure analog systems. Because they record on computer hard drive disks, VHS cassettes do not have to be changed and search and playback of video is faster and easier. However, the image quality of analog/digital-hybrid systems is generally the same, and sometimes worse, than that of a pure analog system because of the compression algorithms used and lost data that results from such compression.

Fully Digital IP Systems:

Fully digital IP video surveillance systems, also known as network video surveillance systems, are typically comprised of one or more IP (network) digital cameras, NVRs and computer monitors.

Schematic of Fully Digital IP System



In a fully digital IP (network) system, video is digitized and compressed in the IP camera. Video data is then transmitted over an IP-based Ethernet network and recorded on standard computer hardware. Recording and viewing surveillance video is managed using network video management software.

In addition to those advantages an analog/digital-hybrid system has over a pure analog system, a fully digital IP system offers the possibility of many additional advantages over pure analog and analog/digital-hybrid systems. Not all digital IP systems support the following features; however, IP technology makes possible:

- support for VGA and high definition IP cameras;
- the use of one cable to provide both power to the camera using power-over-Ethernet ("**POE**") technology and to control the pan/tilt/zoom, two-way audio, digital inputs and outputs of the camera, rather than using multiple cables required for other systems;
- wireless capability;
- greater scalability for large systems; and
- integration with existing Ethernet computer network cabling and hardware equipment for lower total cost of ownership because less installation is required and no secondary cabling and hardware needs to be maintained.

Analog cameras and analog and analog/digital-hybrid systems are still used for a number of reasons.

- **Cost** – Historically, analog cameras were less expensive than digital ones. The security surveillance market is price sensitive, and price often takes precedence over performance.
- **Absence of universally accepted digital standards** – Cameras, both analog and digital, must be compatible with the recorders to which they are connected. Analog standards NTSC and PAL have been used for many years and manufacturers have designed analog cameras and other components to comply with these standards to ensure analog cameras may integrate into existing systems. While there are now emerging standards for connection and data transmission between digital cameras and recorders in the surveillance industry, these standards have not been universally accepted in the industry (Source: ABI Report).
- **Ease of installation and use** – Most fully digital IP systems available today are more complicated to design, install, maintain and use than analog and analog/digital-hybrid systems, and many security installers and end-users have insufficient training and experience in IP network technology. This barrier supports the continued deployment of analog and analog/digital-hybrid systems over many fully digital IP systems.

Viewing a Better Image

Science fiction and police-themed television shows and movies often include scenes where characters enhance, "zoom in" or "de-blur" low resolution or pixelated surveillance images. Using conventional analog and hybrid systems, this type of image enhancement is not possible because those systems do not capture, transfer and store a sufficient number of pixels.

As the graphic below shows, an analog VGA or digital VGA image does not typically capture sufficient detail to enable a user to effectively focus on and zoom into one particular area and identify a person of interest.

VGA resolution analog and hybrid system image

A fully digital IP system can, if designed appropriately, provide higher quality surveillance images than analog and hybrid systems. The quality of the images will depend upon how the system captures, compresses and then transmits and decompresses an image.

In order to capture a better image, one that can be enlarged and contrast enhanced without distortion or manipulation of the underlying image data, the image must be captured using a high definition digital camera rather than a VGA analog or VGA digital camera. After capture, the image must be compressed, without degradation and without the introduction of compression artefacts such that there is no perceptible loss of visual detail ("**visually lossless compression**") before it may be transmitted and recorded. Compression artefacts and image degradation are noticeable distortions that occur when data is compressed using aggressive compression algorithms to compress image data such that there is perceptible loss of visual detail ("**lossy compression**"). Finally, the image must be decompressed and transmitted to a monitor for viewing without any degradation. When decompressing images after lossy compression, image enhancement may no longer be possible and the resulting images may be blurred or pixelated.

Avigilon's Solution and Products

Avigilon identified a need for a better surveillance solution that incorporates the following attributes:

- high definition image capture, recording and transmission;
- easy IP system configuration, installation and use; and
- comparable or less cost than analog and analog/digital-hybrid systems.

Avigilon believes that the Avigilon System is sophisticated and versatile enough to meet the present and future demands of a broad range of end-users. The Avigilon System is a fully digital, IP-based Ethernet network solution with high definition IP cameras and NVRs that has been designed to allow for image capture, storage, transfer and playback of high quality video surveillance footage with visually lossless compression. The Avigilon System has been designed to provide superior image quality when compared with conventional analog and analog/digital-hybrid video surveillance systems. Avigilon's high definition IP cameras, software, analog video encoders, and NVRs together, or combined with legacy equipment, may be configured into a customized, end-to-end, integrated high definition video surveillance solution that provides high image quality using relatively low bandwidth.

The Avigilon System includes features such as automatic event detection, alarm monitoring, object search, automatic license plate/number plate recognition and smartphone/tablet remote viewing. Avigilon's high definition IP cameras also have many customer selectable options, such as built-in infrared illuminators for enhanced night vision, built-in heaters and blowers to withstand extreme outdoor conditions, hardened vandal proof enclosures and built-in audio for two-way communication.

The Avigilon System has been designed to preserve data and image quality through the multiple steps of surveillance system video management, being: (i) capture; (ii) transmission to storage; (iii) storage; (iv) transmission from storage to workstation; and (v) playback and analysis. Embedded in all components of the Avigilon System is Avigilon's high definition stream management ("**HDSM**") technology, which has been designed to preserve data and image quality solving typical problems and limitations associated with analog and analog/digital-hybrid video surveillance systems and components. Such problems and limitations include lossy compression, inefficient data transmission that requires more bandwidth, more storage capacity requirements and more complex and time-consuming retrieval and search requirements. Avigilon's HDSM has been designed to enable the practical and cost effective capture, storage, retrieval, transmission and viewing of high quality surveillance video footage that can be viewed locally on-site and remotely over the Internet.

High Definition Stream Management

Avigilon's products include high definition IP cameras, analog video encoders, NVRs, network video management software, a specialized license plate recognition analytics module and accessories, each of which is described in more detail below.

High Definition IP Cameras

Avigilon has a wide range of high definition IP cameras from one to 29-megapixels, each of which includes many features. All Avigilon cameras have micro-processors and embedded software, which have been designed to allow for automatic adaptation to changes in the image scene and to process image information in real time. Advanced technology in infrared sensitivity and wide dynamic range imaging capability has been designed into Avigilon's cameras in an effort to allow for the capture of high quality, low-light and high-contrast images and to make automatic adjustments for such conditions. Avigilon's cameras are PoE enabled, requiring only a single cable to provide both electric power and network connectivity, unlike conventional analog cameras that require separate dedicated cables for power and connectivity. The single cable configuration has been designed to allow for easier and less expensive installation and the ability to place cameras in hard-to-install locations. Avigilon's cameras are available in traditional box body or in hardened dome enclosure for additional durability. Avigilon currently has 38 different camera models.

Avigilon currently offers three series of cameras:

- **Pro Series** – The Pro Series of cameras is optimized for high performance on more sophisticated systems and applications. The Pro Series cameras are offered in 11 and 29-megapixel resolutions and far exceed current industry standard high definition resolution of one- and two-megapixels, 720p and 1080p, respectively. The Pro Series cameras are available in box body form and include advanced scientific grade sensor quality and pixel technology, along with a stop-action electronic shutter designed to reliably capture sharp images of objects in motion. The Pro Series cameras are available in both standard colour and monochrome sensor format for maximum night vision capability, are programmable and can be customized to adapt to diverse and unique image scenes and are compatible with commercially available high quality professional and consumer grade single lens reflex camera lenses.

- **HD Series** – The HD Series of cameras are high definition and optimised for both price and performance. The HD Series cameras are offered in a range of resolutions from one to five-megapixels in either box-body or dome camera form. An eight-megapixel panoramic dome camera with 180 or 360 degree field of view is also available in the HD Series.

- **H.264 Series** – The H.264 Series of cameras is available as either box body or dome camera form. The H.264 Series cameras are optimized for price and ease of installation. The H.264 Series cameras are offered in high definition, one- and two-megapixel resolution, 720p and 1080p, respectively.

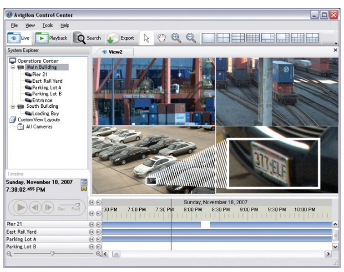
Analog Video Encoders

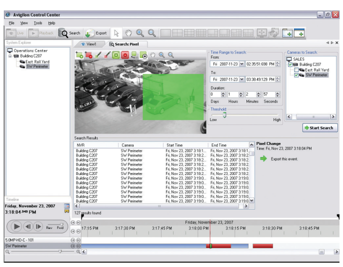
Avigilon analog video encoders are designed to integrate legacy PAL and NTSC analog cameras with Avigilon's NVRs and network video management software using standard network equipment. The encoders have been designed to allow customers to integrate their legacy analog cameras and coaxial cabling into their customized Avigilon System.

Network Video Recorders

Avigilon NVRs come in different form factors, such as a standard computer rack mount or personal computer workstation format, with a variety of storage capacities to accommodate a smaller single-site low-camera count entry level system as well as a larger sophisticated system with multiple sites and hundreds or thousands of cameras. The NVRs are comprised of an original equipment manufacturer ("**OEM**") network server or computer workstation on which Avigilon pre-installs its network video management software. As a standard feature, Avigilon NVRs are sold with a three year warranty backed by the OEMs along with onsite technical repair and replacement. Four and five-year extended warranties can also be purchased. Avigilon's NVRs are plug-and-play and compatible with high definition IP cameras and analog cameras. A single Avigilon network video recorder can simultaneously record from up to 512 cameras.

Network Video Management Software





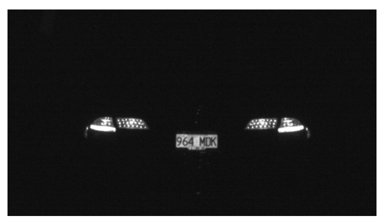
Avigilon's network video management software platform is branded as the "Avigilon Control Center" and is available in two editions: "Standard" for smaller-scale projects, and "Enterprise" for larger multi-camera, multi-site projects. Either edition can be purchased as a stand-alone software license to be installed on a customer's own off-the-shelf standard computer hardware or purchased pre-installed on an Avigilon NVR. The Avigilon Control Center manages all cameras in its network, whether analog or digital, and the associated database of recorded surveillance video. It includes advanced built-in automatic image enhancement features that can reveal details, whether using analog or digital cameras, that otherwise would be unrecoverable using conventional analog or analog/digital-hybrid surveillance systems. An end-user can administer and review live or recorded video footage or both at the same time. Avigilon has designed the Avigilon Control Center to be a robust and secure network platform for capturing, storing and managing high definition images while efficiently controlling system bandwidth and storage requirements. The Avigilon Control Center has also been designed to allow end-users to integrate significant portions of their legacy surveillance equipment, including analog cameras, along with access control and other physical security systems into their customized Avigilon System. The Avigilon Control Center is open-platform with built-in drivers for most major brands of third party cameras. It is ONVIF, NTSC and PAL compliant, audio capable and may be integrated with local area networks and wide area networks and can connect across a wireless network. Additional features of the Avigilon Control Center include:

- **Bookmarking and Exporting** – Video footage or still images can be bookmarked and exported for dynamic offsite forensic enhancement by third parties, such as law enforcement officials and video forensic specialists. Bookmarked video can be indexed to allow rapid searching with user-defined metadata annotation. Exported video can be managed using the Avigilon Control Center Player, a playback application with tools for analyzing and reviewing captured high definition video footage.
- **Event Triggered Recording** – Recording parameters may be set independently for each camera. Examples of parameters include recording on a predetermined schedule, detecting motions of objects or persons or detecting other specified events. The Avigilon Control Center is also able to collect reference images at predetermined intervals.
- **Advanced Pixel Searching** – Users can initiate automatic, computer generated searches to locate objects that have been removed or added and particular events within high definition video surveillance footage covering large areas over long periods of time.
- **Remote Viewing** – Users can remotely connect to one or more NVRs to view and search live and recorded video surveillance footage over a local area network, low bandwidth wide area network connection or using remote desktop technology on a standard web browser or compatible smartphone or other mobile device.

- **Simple Installation** – NVRs and cameras automatically identify themselves when connected without manual configuration or searching in an effort to allow for fast and consistent system deployment and management.
- **Detailed Management, Monitoring and Reporting of System Status and Security** – Users can maintain detailed logs of storage, network and overall system performance. Administrative controls can be set to provide users with, among other things, varying access privileges and programmable e-mail alerts.
- **Integrated Graphic Mapping for System Layout** – Users can use graphic mapping interface to layout cameras and servers on a map for easy navigation of large surveillance systems. Maps can be layered and nested, in an effort to allow easy navigation through satellite maps, multi-story buildings and very large areas.

Automatic License/Number Plate Recognition

Avigilon's automatic License/Number Plate Recognition Module (the "**LPR/NPR Module**") can be integrated into the Avigilon System or used as a stand-alone system, and has been designed to allow for automatic single or dual automobile lane license/number plate reading, monitoring and recording. The LPR/NPR Module provides the ability to import and monitor vehicle plate watch lists and provides e-mail alerts and onscreen alarms when a targeted license/number plate is detected. In addition, the LPR/NPR Module includes a plate search feature with Latin and Arabic alpha-numeric character support. The LPR/NPR Module is comprised of Avigilon optical character recognition software and a custom built infrared illumination camera head. These custom built camera heads are optimized for all lighting conditions and can operate 24 hours a day with integrated adaptive 850 nanometre infrared LED illuminators and an optional high definition colour day/night overview camera. The factory-focused, calibrated infrared camera head comes with an environmental enclosure with pole, wall and pedestal mounting options, and has a range of up to 30 metres.



Accessories

Avigilon provides a number of customizable accessories for the Avigilon System to suit the specific needs of its customers. These accessories include built-in infrared sensors, night vision enhancement, audio in and audio out, protective enclosures and outdoor mounting kits for cameras, which protect the cameras from hot, cold, wet or dry climates.

Avigilon's Competitive Advantages

*High Definition Stream Management ("**HDSM**")*

Avigilon believes that its main technical competitive advantage is its HDSM technology, which is embedded in each component of the Avigilon System. Avigilon's HDSM technology has been designed to efficiently and cost-effectively capture, compress and transfer high definition video and audio data throughout the Avigilon System, including data in MPEG, JPEG, JPEG2000 and H.264 video formats. HDSM has been designed to use relatively low bandwidth for data transmission and microprocessor computational power, so that it can be operated on less powerful and less expensive user workstations and networks. The result can be a direct cost saving to the purchaser. Aspects of Avigilon's HDSM are patent, trade secret, copyright or trademark protected.

High quality surveillance requires more than just using a high definition camera. Image capture and final image quality are dependent upon an optimized technology solution that preserves the high definition image quality through capture, transfer, storage and playback. The Avigilon System with HDSM has been designed to preserve images as they are captured, in greater detail than is possible with traditional analog or analog/digital-hybrid systems, in an effort to provide more effective surveillance solutions at a lower cost to that of analog or analog/digital-hybrid systems. Avigilon developed and implemented its HDSM technology to leverage leading technologies in imaging, hardware, data compression and IT to maximize the performance of the Avigilon System. In contrast, analog and analog/digital-hybrid systems typically lose data through each of these steps, as demonstrated by the following comparison:

Analog/digital hybrid system image

Avigilon System with HDSM image

<u>*First to Market*</u>

Management believes that the Avigilon System featuring HDSM was the first complete open-platform, end-to-end, high definition IP surveillance solution on the market capable of working with high definition IP cameras as well as conventional analog cameras. Being first to market enabled Avigilon to successfully build a network of over 800 security equipment integrators and dealers in more than 80 countries. New entrants to the market and existing competitors that may eventually copy certain aspects of the Avigilon System may have difficulty in supplanting Avigilon with dealers and integrators already selling the Avigilon System and its components.

Competitive Manufacturing Costs

Avigilon's high definition IP cameras cost the same as or less than analog cameras and other brands of IP cameras because Avigilon combines camera firmware (embedded software) design with low-cost hardware manufacturing. Most hardware used by Avigilon for its products are supplied by OEMs that competitively price their products. In doing so, Avigilon has been able to achieve and maintain high margins, which have led to it being profitable.

Fewer Cameras Required

Because of the high resolution of the images captured and recorded by Avigilon's high definition IP cameras and network video management software, fewer cameras are typically required to capture and record the same data from the same area as would be required using analog and analog/digital-hybrid systems. Using fewer cameras, which cost the same or less than the alternative, can result in a lower system cost for Avigilon's customers.

Compatibility

Many organizations already own surveillance equipment. Rather than necessitating the replacement of an existing surveillance system, the Avigilon System has been designed to integrate with existing equipment to allow for a phased transition and implementation from analog and analog/digital-hybrid systems to a fully-digital IP surveillance system over time as budgets allow. In particular:

- the Avigilon Analog Video Encoders and Avigilon Control Center software work together to support data from any resolution of surveillance camera, including analog cameras, to allow for customizable hybrid solutions;
- unlike dedicated DVRs, Avigilon's network video management software can be installed onto a customer's existing computer hardware, which then becomes a network video recorder; and
- Avigilon's HDSM technology allows for efficient compression, transfer and storage of high definition video surveillance footage, allowing for lower data storage requirements so legacy equipment need not necessarily be replaced.

Easy Installation

The Avigilon System has been designed as a plug-and-play solution, enabling customers with minimal technical skill to set up and operate it. The simple configuration requirements of the Avigilon System, including PoE enabled cameras that only require one cable for both video data transfer and power, are designed to minimize installation time and allow for a faster and less complex installation.

Effectiveness

Management believes that the ability of the Avigilon System to capture and store large volumes of high resolution video surveillance footage that is quickly and easily searchable and accessible with the Avigilon Control Center software ultimately affords customers longer term cost savings that result from related efficiencies such as reduced need for personnel, lower investigative costs and faster response times.

Remote Access

The Avigilon System is designed for remote access, if required. After connecting to the network video recorder of a particular Avigilon System, a user can access captured images from the convenience of their home personal computer, a laptop, compatible smartphone, tablet or other mobile device.

Access to Sales Channels

Because Avigilon's products have properties consistent with equipment and products sold and serviced by both traditional physical security integrators/dealers and the IT and computer hardware integrators/dealers, Avigilon is able to sell to both sales channels. Many competitors are limited to only one or the other sales channel.

The Avigilon System in Action

The following is a selection of case studies describing the experiences of users of the Avigilon System.

M.M. Roberts Stadium – 35% Reduction In Personnel

University of Southern Mississippi deployed the Avigilon System in an effort to ensure spectator safety and reduce operational costs at its M.M. Roberts Stadium, a 40,000 seat outdoor stadium located on its campus and home to the Golden Eagles football team. M.M. Roberts Stadium installed Avigilon high definition 16-megapixel cameras at the 20, 50, and 20 yard lines on each stadium sideline and Avigilon high definition dome 5-megapixel cameras to monitor entrances at the north and south ends of the stadium. Since installing the Avigilon System, the university has advised that the M.M. Roberts Stadium has been able to lower human resources costs by 35%, reducing the number of staff during games from 70 to 45.

Oklahoma County Sheriff's Office – $10 Million Saved Annually

The Oklahoma County Sheriff's Office (the "**OCSO**") deployed the Avigilon System at its 268,000 square-foot detention center to assist in the collection of evidence. The OSCO reported improved security, faster conflict resolution and greater investigative success. With the Avigilon System installed, the OCSO estimates that it saves more than USD$10 million annually in personnel costs and costs associated with incidents of false liability claims. A rotating staff of 20 officers monitors the OCSO's Avigilon System, which includes 138 Avigilon high definition IP cameras ranging from one to five megapixels throughout the 13-story facility. The OCSO has also installed four Avigilon Analog Video Encoders to improve the performance of its existing 16 analog cameras and to store up to 90 days of continuous surveillance video. The OCSO has advised that the Avigilon System has also enabled the OCSO to provide video evidence to the District Attorney's office for the first time, as the surveillance footage obtained from the OCSO's prior analog-based security system did not have sufficient clarity or resolution to be used as evidence.

Exempla Good Samaritan Medical Center – 75% Decrease In Investigative Times

Exempla Good Samaritan Medical Center ("**EGSMC**"), a 500,000 square feet health care facility that is connected to two independent facilities, deployed the Avigilon System to monitor both the interior and exterior of the facility, including the parking lot, entrances and other high-risk areas. EGSMC installed 48 Avigilon cameras ranging from one to five megapixels and eight Avigilon Analog Video Encoders to leverage EGSMC's previous surveillance system and improve performance of its legacy analog cameras. By improving the image quality of existing analog cameras, EGSMC advised that Avigilon Analog Video Encoders have enabled EGSMC to leverage the investment in its existing surveillance system. EGSMC can also now monitor multiple cameras at once, and playback and review footage while maintaining a live view from the same camera, resulting in a 75% reduction in investigation times. EGSMC also advised that it has been able to double its productivity and attributes a reduction in staff frustration levels to the user-friendly Avigilon System.

City of Vancouver, Vancouver 2010 Olympic Winter Games – Faster Response Times

The City of Vancouver deployed the Avigilon System in an effort to provide situational awareness to city emergency management staff and for the Vancouver Police Department to maintain public order and safety during the Vancouver 2010 Olympic Winter Games. Five key areas in downtown Vancouver were monitored 24 hours a day, seven days a week with the Avigilon System, using a combination of various Avigilon high definition IP cameras and some legacy analog-based cameras connected to Avigilon Analog Video Encoders, all managed using Avigilon Control Center software. The city has advised that, at two locations, Avigilon high definition IP cameras were wirelessly connected to city-owned facilities where network infrastructure was available. City managers believe that readily available access to information provided by the Avigilon System, which they estimate was at least 30 minutes faster than previous access, allowed the city to proactively mitigate potentially hazardous situations.

Associated British Ports – Enhanced Operational Efficiencies

The United Kingdom's largest port operator and leading cruise port operator, Associated British Ports ("**ABP**"), deployed the Avigilon System in an effort to comply with industry regulations, such as the International Ship and Port Facility Security Code, boost security and enhance operational efficiencies at the Ports of Grimsby and Immingham. ABP uses the Avigilon Control Center to manage the Avigilon System 24 hours a day, seven days a week. ABP installed two 11-megapixel Avigilon high definition IP cameras to monitor vehicle entry and exit, including to provide driver identification and license plate detail, and one three-megapixel Avigilon high definition IP camera for complete coverage of the area leading to its control room. Six five-megapixel Avigilon high definition IP cameras are used to monitor and control the lockgates, which open and close to allow ships to pass through, and to ensure that there are no obstructions to prevent the lockgates from opening or closing when required. The Avigilon System allows ABP to monitor the entire port operations, from loading ships to crane operations, from a centralized location and, as a result, ABP has advised that it has been able to generally improve security, improve operational flow and reduce costs for better overall operational performance. In addition, ABP has advised that the Avigilon System has enabled ABP to centralize several of its processes, including the operation of its weighbridges and lockgates, which can now be managed remotely through the surveillance system.

City of Selma, Alabama – 75% Reduction In Criminal Activity

The City of Selma, Alabama deployed the Avigilon System in an effort to boost community safety and reduce criminal activity at the Selma Police Department ("**SPD**") and at the Selma Housing Authority's George Washington Carver ("**GWC**") complex, a 215 apartment facility with more than 500 tenants. The city has installed more than 30 Avigilon high definition IP cameras ranging from three to five megapixels to monitor the exterior of the GWC complex and at the SPD to monitor the parking lot, main lobby, booking rooms, holding cells, Magistrate's Office and the Selma Municipal Court. The SPD installed several Avigilon Analog Video Encoders to create a hybrid surveillance system designed to dramatically and cost-effectively improve the performance of its existing analog cameras. City personnel have advised that there has been a significant reduction in criminal activity at the GWC complex. The number of criminal reports has dropped 75%, from there being 40 reports each week to less than 10. The SPD has advised that the Avigilon System is both more reliable and more functional than its previous analog system, and has become an important investigative tool.

Product Awards and Endorsements

Avigilon has received numerous industry accolades and awards from leading industry expert forums and groups, including:

- Third fastest growing company in Canada – PROFIT Magazine's 23rd annual PROFIT 200 ranking (June 2011);
- Team of the Year – British Columbia Technology Industry Association's Technology Impact Awards (June 2011);
- Red Herring 100 Global Winner (2010);
- Fifth fastest growing Canadian technology company with the highest percentage revenue growth over five years – Deloitte's Canadian Technology Fast 50 (2010);
- High Definition Surveillance Company of the Year – Frost & Sullivan (2009);
- "Top 30 Technology Innovations" for the Avigilon Analog Video Encoder – Security Sales & Integration Magazine (2008);
- Best Terrestrial Surveillance Technology for the Avigilon System and Avigilon Control Center – Global Border Security Conference and Expo (May 2008);
- New Product Showcase Award for Urban Security and Critical Infrastructure for the Avigilon Control Center – Security Industry Association (2008); and
- Technology Innovation Award – Frost & Sullivan (2007).

Competition

The video surveillance market is highly fragmented and there is no single dominant player generally or within any of the component markets. There are several markets, each with many players and many of whom are private entities that do not publish their financial information in the public domain. (Source: ABI Report) There are hundreds of competitors in the video surveillance market, but most competitors do not offer a fully digital end-to-end high definition surveillance solution, instead focusing on a particular component, such as cameras, NVRs or DVRs. (Source: ABI Report)

There are some companies vying for leadership in the emerging high definition video surveillance market. Management believes that many of these companies are primarily camera suppliers and, while they do have some basic software and accessory offerings, that they do not currently provide complete end-to-end high definition IP solutions comparable to the Avigilon System. Some other companies are providing end-to-end video surveillance solutions, but

Management believes that many of these are still primarily designed to work with low resolution VGA cameras and not for high definition cameras and consequently have poor system performance and reliability when operating all cameras in high definition.

Business Objectives and Strategies

Avigilon's vision is to become the world's leading supplier of high definition IP video surveillance systems.

Management believes that Avigilon is well positioned to take advantage of the current market shift from analog and analog/digital-hybrid systems to fully digital high definition IP surveillance systems. In order to do so, Avigilon plans to undertake several initiatives, including increasing brand awareness, effectively pricing its products, targeting new market segments, developing new products and improving current products.

Sales and Distribution

Avigilon's sales personnel promote the Avigilon System and its components directly to end users and sell through a global network of integrators and dealers. Avigilon plans to increase the number of its sales personnel and to also increase the number of its integrators and dealers through increased brand awareness from advertising, attending industry trade shows and by continuing its development and release of innovative products and features.

Traditional Security Integrators/Dealers

Avigilon plans to continue to sell the Avigilon System and its components through its established, worldwide network of more than 800 security equipment dealers and integrators, each of whom are security specialists in their respective regions and have strong reputations and relationships with their end-user customers. These integrators/dealers typically provide a range of security related services and equipment, including installation and service of video surveillance systems and access control and intrusion detection systems. Management believes Avigilon can secure dealer loyalty through product differentiation and dealer discounts to stimulate sales channel growth.

IT and Computer Hardware Integrators/Dealers

Because the Avigilon System is designed to run on off-the-shelf IT compliant computer hardware and Ethernet network technology, Avigilon has targeted distribution channels through IT and computer equipment suppliers. IP camera systems can generate large volumes of data and network hardware dealers have shown, and Management believes they will continue to show, a willingness to participate in, and encourage the growth of, the IP video surveillance market as it leads to increased sales of such dealers' high bandwidth networking hardware equipment. Avigilon plans to actively pursue partnerships and opportunities with network hardware dealers to increase market share in what Management believes will be a growing sales channel in the years to come.

Industry Trade Shows

Within the security industry, there is an emphasis on trade shows as a marketing forum. Management believes attendance and an increased presence at such trade shows is vital to fulfilling Avigilon's vision of becoming the world's leading supplier of high definition IP video surveillance systems. To date, Avigilon has been able to introduce the Avigilon System to new integrators/dealers and new end-users more effectively at trade shows than by many other means. In addition to trade shows specific to the security industry, Avigilon has targeted customers at trade shows for other industries. See "*Business Objectives and Strategies – Target Vertical Markets*". Management plans to attend more trade shows and increase its presence at trade shows previously attended following the Closing of the Offering. See "*Use of Proceeds*".

Advertising

Avigilon currently advertises in a limited number of security surveillance trade publications and on websites which are targeted to system integrators/dealers and end-users. Management plans to make additional investments in advertising, including expanded presence in other trade publications and introducing targeted direct mail campaigns. Avigilon also intends to continue to refine and improve its website, surveillance system design tools on its website and general online presence. See "*Use of Proceeds*".

Pricing and Software Licensing

Avigilon plans to continue using the pricing combination of hardware and software licensing to increase its market share. Avigilon designs and manufactures its own products, which enables Avigilon to maintain their quality.

Target Vertical Markets

Customers in different business sectors have particular security system needs depending on the nature of their business and the premises that they need to monitor. Within the video surveillance industry, there are several vertical markets that have specialized needs and requirements. Examples of such specialized requirements include: (i) hardened impact resistant enclosures for cameras deployed in prisons; (ii) cameras and enclosures that are weatherproofed for various outdoor installations, such as for traffic monitoring and perimeter detection; (iii) wireless data transmission for remote installations; and (iv) infrared illumination for enhanced night vision.

Management believes that new applications are emerging for video surveillance systems and plans to target such markets. For example, the rising concerns of security threats at large public venues places additional pressure on facility managers, whose primary goals are to assure and maintain patrons' safety while, at the same time, allowing such patrons to enjoy their experience without an obtrusive security presence. Management believes that the Avigilon System has the capability to change large public venue surveillance practices and to reduce costs by, among other things, recording all seated spectators with fewer cameras, requiring fewer staff to monitor spectators and using the Avigilon System to gather evidence to avoid liabilities associated with allegations of wrong-doing.

Management has identified approximately a dozen vertical markets. Management believes some system and equipment suppliers have focused on only a few vertical markets at the exclusion of others. Avigilon attends vertical market specific trade shows and targets vertical market segments directly. The Avigilon System has been designed so that it can be customized and scaled to suit the needs of most vertical markets, including:

- government – military / law enforcement / prisons;
- ports of entry – airports / seaports / land border crossings;
- casinos;
- utilities – nuclear power stations / hydro dams / water reservoirs;
- petrochemical plants;
- stadiums and arenas;
- public transport and traffic monitoring – bus depots / intersections / highway interchanges;
- commercial and residential real estate;
- retail shops;
- educational institutions and campuses;
- banking and financial centres; and
- hospitals and healthcare institutions.

Management intends to increase brand awareness in vertical markets with specific vertical market advertising rather than having a general sales focus. See "*Use of Proceeds*".

Product Development

Avigilon plans to continue creating new products and to improve and enhance its existing hardware and software. Avigilon intends to expand its product development team, hiring 30-40 new personnel in the next 24 months, including hardware engineers and software developers in various fields, including computer science, electrical and mechanical engineering. Avigilon plans to invest in additional software, hardware, development tools and equipment, including specialized computer systems, to support these new employees and fund the new products developed through to production. These additional personnel will continue ongoing research and development on products, including high definition IP cameras and network video management software. Avigilon plans to improve the performance and functionality of its existing products along with creating new products that will facilitate deeper penetration into various vertical markets. Avigilon expects to continue to have repeat software upgrade sales to its existing end-user base as Avigilon further develops its software and introduces new versions with advanced capabilities. See "*Use of Proceeds*".

Manufacturing & Production

All Avigilon products are assembled and tested in Canada at Avigilon's own manufacturing facility located in Richmond, British Columbia. Electronic, mechanical and optical camera components are purchased from third party suppliers and delivered to Avigilon's manufacturing facility for incoming quality testing, assembly and final testing. Production of unpopulated electronic printed circuit boards and mechanical components is sub-contracted to specialized facilities located in North America and Asia. The servers and workstations used for Avigilon's NVRs are standard off-the-shelf IT compliant computer hardware that can be purchased from any number of computer equipment suppliers and onto which the Avigilon Control Center software may be installed.

The Richmond manufacturing facility includes surface mount technology, robotic component placement machines and an automated assembly line for printed circuit board assembly, a clean room for optical assembly, an environmental chamber to simulate outdoor weather conditions, several camera assembly lines and equipment to perform functional and reliability testing. Avigilon's assembly processes have been developed and refined over several years and have been designed to allow the Corporation to directly control production costs and quality as well as to react quickly to changes in demand and allow for new designs and rapid design-to-production of new products.

Many of the parts and sub-assemblies used in the manufacturing of Avigilon's products are available through common industrial manufacturing and component suppliers. There are many manufacturers and suppliers around the world that produce and supply such parts and sub-assemblies, which include: (i) integrated circuits; (ii) sub-assembly parts such as moulded plastics and metals; (iii) unpopulated printed circuit boards; and (iv) optical elements and lenses. Higher risk components and sub-assemblies are ones that have a long lead-time for production, are custom made for Avigilon or are manufactured by a single supplier. Avigilon regularly and carefully monitors demand, supply and stock of these higher risk components and sub-assemblies. Avigilon maintains a safety stock of higher risk components in an effort to ensure new replacement components and parts can be designed or sourced prior to the occurrence of a manufacturing stoppage. See "*Risk Factors – Suppliers*".

Research and Development

Avigilon continues to develop technological improvements and advancements in security surveillance equipment and its intellectual property to further improve the Avigilon System. The engineering research and product development team is located at Avigilon's headquarters in Vancouver, British Columbia. The team is made up of developers and engineers with expertise in a broad range of fields of technology, including computer science, electrical engineering, mechanical engineering and optical engineering. As Avigilon continues to grow, it will look to expand its research and development team. Avigilon has implemented a design and new product introduction process to create and produce innovative products and services. Avigilon's research and development team continuously works to improve Avigilon's products, incorporating feedback from integrators/dealers and end-users and the latest advancements in camera, IT network and software technology, including analytics, in order to introduce new features and functions into the Avigilon System while maintaining high performance at a competitive price.

Intellectual Property

Avigilon has two trademarks, "Avigilon" and "The Best Evidence", which have been registered in Canada, the United States and the European Union, and has made trademark applications for "High Definition Stream Management (HDSM)" and "HDSM" in Canada and the United States. Avigilon has pending design patents and other trademarks, in addition to certain trade secrets, know-how and copyright protected software source code.

Avigilon relies primarily on trade secrets, know-how and contractual confidentiality provisions in order to protect certain proprietary aspects of the Avigilon System. Avigilon has filed patent applications relating to HDSM and certain aspects of its IP camera and surveillance technology. For strategic reasons, not all novel and proprietary techniques are, or will be, patented because the patent process necessitates public disclosure of information that Management prefers to keep private and confidential. Certain inventions that Management believes, upon investigation, to be patentable have not been patented or otherwise disclosed to the public through the patent process and have been retained as "in-house" trade secrets in an effort to make it more difficult for potential competitors to reverse engineer Avigilon's products. Inventions that are not easily kept secret from reverse engineering processes and susceptible to public discovery have been filed with the appropriate patent office.

Management believes that the appropriate copyright notices and assignments of copyright to Avigilon and waivers of moral rights are in place with respect to Avigilon's suppliers, employees and sub-contractors who create or develop or who have created or developed proprietary material paid for by Avigilon for Avigilon's benefit.

Facilities

Avigilon's head office is currently located at leased premises in Vancouver, British Columbia. Product development, customer service, administration, finance and accounting personnel operate out of the Corporation's head office, which is approximately 7,500 square feet. The current lease for Avigilon's head office expires in November 2011, and new space for the head office has been secured under a sublease until September 2012. Management has entered a lease with the landlord for continued occupancy for this same new space by Avigilon beyond September 2012 for a term of five years, with an option to renew for an additional five years. The new leased space is also in Vancouver and is approximately 28,500 square feet.

Avigilon's manufacturing operations and logistics staff work in leased premises in Richmond, British Columbia that is approximately 16,000 square feet. The lease for Avigilon's Richmond facility expires on January 2015 and includes an option to renew for an additional five years.

For 2011, Avigilon's annual lease payments are in aggregate approximately $500,000.

Employees

As of June 30, 2011, Avigilon had 129 full-time employees worldwide, with 115 employees in North America and 14 employees in other countries. Of these employees, 49 were engaged in manufacturing operations, 25 in sales and marketing, 26 in research and development and 29 in customer services, administration, finance, accounting, information systems and legal. No Avigilon employees are represented by a labour union and there is no collective bargaining agreement in place.

USE OF PROCEEDS

The net proceeds to be received by Avigilon from the Treasury Offering are estimated to be $ ● , after deducting Avigilon's share of the Underwriters' Fee of $ ● and the expenses of the Offering, which are estimated to be $ ● . Avigilon expects to use the net proceeds from the Treasury Offering as follows:

- approximately $ ● to expand sales and marketing in North America and internationally;
- approximately $ ● to expand product development; and
- the balance for working capital and general corporate and administrative purposes.

If the Over-Allotment Option is exercised in full, the Corporation intends to allocate the additional proceeds of $ ● to working capital and general corporate and administrative purposes.

While Avigilon currently anticipates that it will use the net proceeds of the Offering received by it as set forth above, Avigilon may re-allocate the net proceeds of the Offering received by it from time to time having consideration to its strategy relative to the market and other conditions in effect at the time. Net proceeds for working capital and general corporate and administrative purposes may include payments to lower the balance of the Corporation's Line of Credit. Pending use of the net proceeds of the Offering, such proceeds will be invested in accordance with Avigilon's investment policy guidelines as approved by the Board under the supervision of the CEO and CFO. See "*Business of Avigilon*" and "*Risk Factors*".

The aggregate net proceeds to be received by the Selling Shareholders from the sale of the Offered Shares pursuant to the Secondary Offering are estimated to be $ ● ($ ● if the Over-Allotment Option is exercised in full), after deducting that portion of the Underwriters' Fee payable by the Selling Shareholders. Avigilon will not receive any of the proceeds payable to the Selling Shareholders under the Secondary Offering. The Selling Shareholders will not pay any expenses of the Offering other than the Underwriters' Fee in respect of the Secondary Offering (which expenses will be paid by Avigilon) as the incremental costs of the Secondary Offering are not material. The Selling Shareholders are responsible for any and all legal fees and expenses incurred by legal advisors retained by the Selling Shareholders. See "*Principal and Selling Shareholders*" and "*Use of Proceeds*".

Business Objectives and Milestones

Product Development

Within the next 24 months, Avigilon intends to expand its product development team, hiring 30-40 new personnel, including hardware engineers and software developers in various fields, including computer science, electrical and mechanical engineering. In addition to the direct cost associated with hiring new employees, Avigilon will be required to invest in additional software, hardware, development tools and equipment, including specialized computer systems, to support these new employees and fund the new products developed through to production. These additional personnel will continue ongoing research and development on products, including high definition IP cameras and Avigilon Control Center software, in order to improve the performance capabilities of the Avigilon System. Avigilon plans to continue with research and development of the Avigilon System to improve its compatibility and interoperability with existing third party security system equipment and to improve its data capture, transfer, storage and management capabilities.

Sales and Marketing

Avigilon intends to use the proceeds from the Treasury Offering to carry out a sales expansion, including opening branch sales offices in Brazil, China, India, Eastern Europe and South Africa within the next 12 to 18 months. Such offices will include both sales staff and field product technical support staff to service these new regions.

In addition, Avigilon intends to use some of the proceeds of the Treasury Offering to embark on expanded marketing campaigns, including an increased presence at industry trade shows. Also planned is additional investment in advertising and targeted direct mail campaigns. Avigilon also intends to continue to refine and improve its website and online presence.

Avigilon intends to continue to promote the sales and distribution of the Avigilon System through its current network of security equipment integrators and dealers and also expand the network by adding new security integrators and dealers and sales staff to help manage the growing size of Avigilon's global sales network.

General Corporate Purposes

Avigilon intends to use part of the net proceeds set aside for general corporate and administrative purposes, and to augment its working capital.

DIVIDEND POLICY

No dividends have been declared or paid on the Common Shares since incorporation, and it is not anticipated that any dividends will be declared or paid on the Common Shares in the immediate or foreseeable future. Avigilon's current policy is to retain the Corporation's earnings and direct any available cash to fund the development and growth of the Corporation's business. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of Avigilon's earnings, financial requirements and other conditions existing at such future time. Until Avigilon's articles are amended to remove the Class A Preferred Shares, dividends may not be paid on shares in any other class or series of shares unless Avigilon first pays to the holders of the Class A Preferred Shares then outstanding an amount equal to at least the sum of the aggregate accrued and unpaid dividend and the dividend that would be paid to holders of Class A Preferred Shares if such holders had converted such shares into Common Shares of Avigilon.

A cumulative dividend accrues on each Class A Preferred Share at the rate of 6% per annum of the original purchase price of such Class A Preferred Share (the "**Class A Dividend**"), subject to adjustment in certain events. No Class A Dividends have been declared or paid on the Class A Preferred Shares to date, however, prior to the Closing of the Offering, Avigilon intends to pay to the holders of Class A Preferred Shares all accrued and unpaid Class A Dividends in cash in the aggregate amount of approximately $ ● . Immediately prior to the Closing of the Offering, all of the issued and outstanding Class A Preferred Shares will be automatically converted into Common Shares pursuant to the rights, privileges, restrictions and conditions attached to the Class A Preferred Shares. See "*Description of Securities – Class A Preferred Shares*".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of the financial condition and results of operations of Avigilon has information and discussion as of and for the six months ended June 30, 2011 and 2010 and as of and for the financial years ended December 31, 2010, 2009 and 2008. It should be read in conjunction with the financial statements and related notes that are included elsewhere in this Prospectus. All audited financial information presented in this Prospectus for the periods up to and including the year ended December 31, 2009 was prepared in accordance with Canadian GAAP. All audited financial information presented herein for the financial year beginning January 1, 2010 (and for the period ended June 30, 2011) was prepared in accordance with IFRS. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding developments in Avigilon's operations in future periods, adequacy of financial resources and future plans and objectives of Avigilon. Actual results could differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the sections entitled "Forward-Looking Statements" and "Risk Factors" and elsewhere in this Prospectus. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on this forward-looking information. Please refer to "Adoption of New Accounting Standards" below for further discussion.

Overview

Avigilon is a leader in the design, manufacturing and marketing of high definition, network-based video surveillance systems and equipment for the global security market. The Avigilon System has been designed to provide high quality video capture, transmission, recording and playback. The components of the Avigilon System include cameras, recording hardware and software, which may be sold separately or in combination to provide customers with a customizable end-to-end video surveillance solution. The features and capabilities of the components provide the Avigilon System with the versatility to be configured and deployed in many different applications in a variety of industries. Avigilon also sells accessories to complement its system.

To date, Avigilon Systems have been installed at over 10,000 customer sites in more than 80 countries. Such sites include school campuses, transportation systems, healthcare centres, public venues, critical infrastructure, prisons, factories, casinos, airports, financial institutions, government facilities and retailers.

Significant Factors Affecting Results of Operations

Revenue

Revenue is derived from the sale of high definition, network-based video surveillance systems and equipment for the global security market. The Avigilon System and its components are promoted by Avigilon sales staff and sold through a global network of more than 800 security equipment integrators and dealers. The Corporation complements and supports its sales channel with sales and support staff, who work either directly with prospective customers or in coordination with equipment integrators and dealers to promote and provide products and solutions that address the needs of the end-user.

The following is a breakdown of revenue by geographic areas:

	2010	2009	2008
	$	$	$
North America	19,378,029	12,823,928	4,205,123
International	12,905,898	4,058,036	1,034,934
Total	32,283,927	16,881,964	5,240,057

Cost of Sales

Cost of sales is primarily comprised of the cost of materials and components purchased from Avigilon's suppliers, manufacturing labour and overhead costs, inventory obsolescence provisions and write-offs, warranty costs, product transportation costs and other supply chain management costs. Depreciation of assembly equipment is included in Cost of Sales. To the extent that the Corporation's sales increase, the Corporation expects its Cost of Sales to also increase in absolute dollars.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries and related expenses, advertising, trade shows and other promotional activities. As at June 30, 2011, Avigilon employed 25 people in sales and marketing. The Corporation expects sales and marketing expenses to increase in absolute dollars as it continues to hire additional personnel and expand internationally. The Corporation expects these expenses to decrease from prior years as a percentage of revenue.

Research and Development

Research and development expenses consist primarily of salaries and related expenses for software and hardware engineering and technical personnel as well as materials and consumables used in product development. As at June 30, 2011, Avigilon employed 26 people in research and development. The Corporation incurs most of its research and development expenses in Canada and is eligible to receive Scientific Research and Experimental Development investment tax credits for certain eligible expenditures. Investment tax credits are netted against the Corporation's provision for income taxes for financial statement presentation purposes. Avigilon expects research and development expenses to continue to grow in absolute dollars as it focuses on enhancing and expanding its product offerings, although it does not expect these expenses to change materially from prior years as a percentage of revenue.

General and Administrative Expenses

General and administrative expenses consist of costs relating to people services, information systems, legal and finance functions, professional fees, insurance and other corporate expenses. The Corporation expects its administrative expenses to increase significantly in connection with becoming a reporting issuer. It does not expect these expenses to change materially from prior years as a percentage of revenue.

Results of Operations

	Three months ended June 30[2] (unaudited)		Six months ended June 30[2] (unaudited)		Year ended December 31[1] (audited)		
	2011 ($)	2010 ($)	2011 ($)	2010 ($)	2010 ($)	2009 ($)	2008 ($)
Revenue	16,037,454	8,344,850	26,070,951	13,845,068	32,283,927	16,881,964	5,240,057
Costs of Sales	9,319,677	4,608,212	14,923,549	7,678,838	17,713,078	8,676,219	3,074,127
Gross Margin	6,717,777	3,736,638	11,147,402	6,166,230	14,570,849	8,205,745	2,165,930
Expenses	4,855,429	2,997,921	8,818,151	5,299,608	12,299,470	8,053,767	5,818,073
Income (loss) from Operations	1,862,348	738,717	2,329,251	866,622	2,271,379	151,978	(3,652,143)
Net Income (loss)	1,077,607	347,879	1,198,528	296,335	1,547,145	26,171	(2,951,567)
Basic income (loss) per share	0.06	0.02	0.07	0.02	0.06	(0.00)	(0.18)
Diluted income (loss) per share	0.04	0.02	0.05	0.03	0.05	(0.00)	(0.18)
Total assets	27,083,331	15,415,133	27,083,331	15,415,133	19,723,645	13,606,519	9,291,531
Total liabilities	23,100,950	13,301,465	23,100,950	13,301,465	6,403,224	2,575,742	1,443,479
Shareholders' equity	3,982,381	2,113,668	3,982,381	2,113,668	13,320,421	11,030,777	7,848,052

Notes:

(1) Information is presented in accordance with Canadian GAAP.

(2) Information is presented in accordance with IFRS.

Discussion of Operations – Three and Six Month Period Comparison: June 30, 2011 and 2010

Revenue

Revenue for the three month period ended June 30, 2011 was $16 million, an increase of 92%, or $7.7 million, compared to $8.3 million for the three month period ended June 30, 2010. Revenue for the six month period ended June 30, 2011 was $26 million, an increase of 88%, or $12.2 million, compared to $13.8 million for the six month period ended June 30, 2010. The increase in revenue was due, in each case, to higher product sales volumes worldwide, as a result of new product offerings, penetration into new markets, and greater customer acceptance in existing markets.

Gross Margins

Gross margins for the three month period ended June 30, 2011 increased by $3.0 million (81%) compared to the three month period ended June 30, 2010, from $3.7 million for the three month period ended June 30, 2010 to $6.7 million for the three month period ended June 30, 2011. In terms of percentage of revenues, gross margins were 41.9% for the three month period ended June 30, 2011 compared to 44.8% for the three month period ended June 30, 2010.

Gross margins for the six month period ended June 30, 2011 increased by $5 million (81%) compared to the six month period ended June 30, 2010, from $6.17 million for the six month period ended June 30, 2010 to $11.15 million for the six month period ended June 30, 2011. In terms of percentage of revenues, gross margins were 42.8% for the six month period ended June 30, 2011 compared to 44.5% for the six month period ended June 30, 2010.

The increase in gross margin dollars was due, in each case, to increased sales and operating efficiencies.

The small decrease in gross margin percentage was due, in each case, to bigger projects since these projects typically have larger discounts and have a higher volume of lower margin products. While there was a small decrease to the gross margin percentage, the Corporation benefited in terms of absolute dollars.

Cost of Sales

Cost of Sales for the three month period ended June 30, 2011 increased by $4.7 million (102%) compared to the three month period ended June 30, 2011, from $4.6 million for the three month period ended June 30, 2010 to $9.3 million for the three month period ended June 30, 2011. In terms of percentage of revenues, Cost of Sales was 58% for the three month period ended June 30, 2011 compared to 55% for the three month period ended June 30, 2010.

Cost of Sales for the six month period ended June 30, 2011 increased by $7.2 million (94%) compared to the six month period ended June 30, 2010, from $7.7 million for the six month period ended June 30, 2010 to $14.9 million for the six month period ended June 30, 2011. In terms of percentage of revenues, Cost of Sales was 57% for the six month period ended June 30, 2011 compared to 55% for the six month period ended June 30, 2010.

The increase in Cost of Sales was due, in each case, to increased sales.

Sales and Marketing

Selling and marketing expenses for the three month period ended June 30, 2011 increased by $1.1 million (68%), from $1.7 million for the three month period ended June 30, 2010 to $2.8 million for the three month period ended June 30, 2011.

Selling and marketing expenses for the six month period ended June 30, 2011 increased by $2 million (67%), from $3 million for the six month period ended June 30, 2010 to $5 million for the six month period ended June 30, 2011.

The increase in selling and marketing expenses was primarily due to increased sales, additional personnel and their related expenses.

Research and Development

Research and development expenses for the three month period ended June 30, 2011 increased by $19 thousand (3%), from $606 thousand for the three month period ended June 30, 2010 to $625 thousand for the three month period ended June 30, 2011.

Research and development expenses for the six month period ended June 30, 2011 increased by $0.1 million (11%), from $1 million for the six month period ended June 30, 2010 to $1.1 million for the six month period ended June 30, 2011.

The increase in research and development expenses was primarily due to the Corporation's focus on enhancing and expanding its product offerings.

General and Administrative

Administrative expenses for the three month period ended June 30, 2011 increased by $0.6 million (102%), from $0.7 million for the three month period ended June 30, 2010 to $1.3 million for the three month period ended June 30, 2011.

Administrative expenses for the six month period ended June 30, 2011 increased by $1.3 million (124%), from $1.1 million for the six month period ended June 30, 2010 to $2.4 million for the six month period ended June 30, 2011.

The increase in administrative expenses was primarily due to increased sales, additional personnel and their related expenses.

Net Income

Net income for the three month period ended June 30, 2011 increased by $0.7 million (210%), to $1.1 million compared to a net income of $0.4 for the three month period ended June 30, 2010.

Net income for the six month period ended June 30, 2011 increased by $0.9 million (304%), to $1.2 million compared to a net income of $0.3 for the six month period ended June 30, 2010.

The primary factors driving the change in net income have been the strong growth in the sales of Avigilon's products, and operating efficiency.

Income from Operations

Income from operations for the three month period ended June 30, 2011 increased by $1 million (161%), from $0.6 million for the three month period ended June 30, 2010 to $1.6 million for the three month period ended June 30, 2011.

Income from operations for the six month period ended June 30, 2011 increased by $1.3 million (215%), from $0.6 million for the six month period ended June 30, 2010 to $1.9 million for the six month period ended June 30, 2011.

The primary factors driving the change in income from operations have been increased sales and operating efficiencies.

Discussion of Operations – Year End Comparison: December 31, 2010 and 2009

Revenue

Revenue for the year ended December 31, 2010 was $32.3 million, an increase of 91%, or $15.4 million, compared to $16.9 million for the year ended December 31, 2009. The increase in revenue was due to higher product sales volumes worldwide, as a result of new product offerings, penetration into new markets, and greater customer acceptance in existing markets.

Gross Margins

Gross margins for the year ended December 31, 2010 increased by $6.4 million (78%), from $8.2 million in the year ended December 31, 2009 to $14.6 million in the year ended December 31, 2010, due to higher sales volume. The Corporation's gross margins, as a percentage of revenues, for the year ended December 31, 2010 have decreased to 45.1% compared to 48.6% for the year ended December 31, 2009.

The increase in gross margin dollars was due, in each case, to increased sales, and operating efficiencies.

The small decrease in gross margin percentage was due, in each case, to bigger projects since these projects typically have larger discounts and have a higher volume of lower margin products. While there was a small decrease to the gross margin percentage, the Corporation benefited in terms of absolute dollars.

Cost of Sales

Cost of Sales for the year ended December 31, 2010 increased by $9 million (103%) compared to the year ended December 31, 2009, from $8.7 million in the year ended December 31, 2009 to $17.7 million in year ended December 31, 2010. In terms of percentage of revenue, Cost of Sales was 51% in year ended December 31, 2009 compared to 54% for the year ended December 31, 2010.

The increase in Cost of Sales was due to increased sales.

Sales and Marketing

Selling and marketing expenses for the year ended December 31, 2010 increased by $2.2 million (50%), from $4.5 million in the year ended December 31, 2009 to $6.7 million in the year ended December 31, 2010. The increase in selling and marketing expenses was primarily due to increased sales, additional personnel and their related expenses.

Research and Development

Research and development expenses for the year ended December 31, 2010 increased by $1.1 million (95%), from $1.2 million in the year ended December 31, 2009 to $2.3 million in the year ended December 31, 2010. The increase in research and development expenses was primarily due to the Corporation's focus on enhancing and expanding its product offerings.

General and Administrative

Administrative expenses for the year ended December 31, 2010 increased by $0.7 million (36%), from $2.1 million in the year ended December 31, 2009 to $2.8 million in the year ended December 31, 2010. The increase in administrative expenses was primarily due to increased sales, additional personnel and their related expenses.

Net Income and Income from Operations

Net income for the year ended December 31, 2010 increased by $1.5 million (5,812%), to $1.5 million compared to a net income of $26,171 in the year ended December 31, 2009. The primary factors driving the change in net income have been the strong growth in the sales of Avigilon's products.

Income from operations for the year ended December 31, 2010 increased by $2.1 million (1,395%), from $151,978 in the year ended December 31, 2009 to $2.3 million in the year ended December 31, 2010. The primary factors driving the change in income from operations have been increased sales and operating efficiencies.

Discussion of Operations – Year End Comparison: December 31, 2009 and 2008

Revenue

Revenue for the year ended December 31, 2009 was $16.9 million, an increase of 222%, or $11.7 million, compared to $5.2 million for the year ended December 31, 2008. The increase in revenue was due, in each case, to higher product sales volumes worldwide, as a result of new product offerings, penetration into new markets, and greater customer acceptance in existing markets.

Gross Margins

Gross margins for the year ended December 31, 2009 increased by $6 million (279%), from $2.2 million in the year ended December 31, 2008 to $8.2 million for the year ended December 31, 2009, due to higher product sales volumes. The Corporation's gross margins, as a percentage of revenues, for the year ended December 31, 2009 have increased to 48.6% compared to 41.3% for the year ended December 31, 2008. The increase in gross margin percentage was due, in each case, to operating efficiencies.

Cost of Sales

Cost of Sales for the year ended December 31, 2009 increased by $5.7 million (182%) compared to the year ended December 31, 2008, from $3.0 million in the year ended December 31, 2008 to $8.7 million in year ended December 31, 2009. In terms of percentages, Cost of Sales was 58.7% in year ended December 31, 2008 compared to 51.4% for the year ended December 31, 2009.

The increase in Cost of Sales was due to increased sales.

Sales and Marketing

Selling and marketing expenses for the year ended December 31, 2009 increased by $1.6 million (56%), from $2.9 million in the year ended December 31, 2008 to $4.5 million in the year ended December 31, 2009. The increase in selling and marketing expenses was primarily due to increased sales, additional personnel and their related expenses.

Research and Development

Research and development expenses for the year ended December 31, 2009 increased by $0.5 million (62%), from $0.7 million in the year ended December 31, 2008 to $1.2 million in the year ended December 31, 2009. The increase in research and development expenses was primarily due to the Corporation's focus on enhancing and expanding its product offerings.

General and Administrative

Administrative expenses for the year ended December 31, 2009 did not change significantly from the year ended December 31, 2008.

Net Income and Income from Operations

Net income for the year ended December 31, 2009 increased by $3.0 million (101%), to $26,171 compared to a net loss of $3.0 million in the year ended December 31, 2008. The primary factors driving the change in net income have been the strong growth in the sales of Avigilon's products.

Income from operations for the year ended December 31, 2009 increased by $3.8 million (104%), from a loss of $3.7 million in the year ended December 31, 2008 to an income of $151,978 in the year ended December 31, 2009. The primary factors driving the change in income from operations have been increased sales and operating efficiencies.

Summary of Quarterly Results

The following is selected summary of quarterly results for the eight most recently completed quarters to June 30, 2011:

	Three months ended (unaudited) (000's)			
	June 30, 2011[2]	March 31, 2011[2]	December 31, 2010[1]	September 30, 2010[1]
	$	$	$	$
Revenue	16,037	10,033	10,157	8,282
Cost of Sales	9,319	5,604	5,698	4,336
Gross Margin	6,718	4,430	4,459	3,946
Expenses	4,855	3,963	4,301	2,699
Income From Operations	1,862	467	158	1,247
Net Income	1,078	121	18	958
Basic and diluted income per share	0.04	0.01	-	0.04
Total assets	27,083	21,611	19,724	18,287
Total liabilities	23,101	18,488	6,403	3,880
Shareholders' equity	3,982	3,123	13,320	14,407

	Three months ended (unaudited) (000's)			
	June 30, 2010[(2)]	March 31, 2010[(2)]	December 31, 2009[(1)]	September 30, 2009[(1)]
	$	$	$	$
Revenue	8,345	5,500	6,453	4,702
Cost of Sales	4,608	3,070	3,133	2,530
Gross Margin	3,737	2,430	3,320	2,172
Expenses	2,998	2,302	2,905	1,994
Income From Operations	739	128	414	178
Net Income	348	86	365	100
Basic and diluted income per share	0.02	0.01	0.01	0.01
Total assets	15,415	13,404	13,607	12,697
Total liabilities	13,301	12,229	2,576	1,573
Shareholders' equity	2,114	1,176	11,031	11,124

Notes:
(1) The quarterly information is presented in accordance with Canadian GAAP.
(2) The quarterly information is presented in accordance with IFRS.

Liquidity and Capital Resources

	Six months ended June 30 (unaudited)[(2)]		Year ended December 31 (audited)		
	2011 ($)	2010 ($)	2010 ($)[(2)]	2009 ($)[(1)]	2008 ($)[(1)]
Current Assets	23,679,706	12,033,381	16,176,358	11,386,025	6,491,492
Current Liabilities	12,490,264	3,239,697	6,403,226	2,575,742	1,443,479
Working Capital	11,189,442	8,793,684	9,773,132	8,810,283	5,048,013

Notes:
(1) Information is presented in accordance with Canadian GAAP.
(2) Information is presented in accordance with IFRS.

Avigilon's working capital was $11.1 million as at June 30, 2011 and was $9.8 million as at December 31, 2010. The Corporation's primary source of cash flow comes from the sale of its products. The Corporation currently has a $7 million revolving demand credit facility from The Toronto-Dominion Bank, which is secured by a general security agreement providing a first charge over all assets of Avigilon. As at June 30, 2011, $4,840,000 was drawn against such credit facility compared to $1,760,000 as at December 31, 2010. The credit facility bears interest at the bank's prime plus 1.65% per annum.

Avigilon's approach to managing liquidity risk is to ensure it will have sufficient liquidity to settle liabilities when due. As at June 30, 2011, Avigilon had current assets of $23.7 million and current liabilities of $12.5 million. Avigilon believes that ongoing operations and associated cash flow, in addition to its cash resources and revolving credit facility will provide sufficient liquidity to continue financing its planned growth.

Investing Activities

During the three months ended June 30, 2011, cash used for investing activities was $130,969, compared to $213,201 for the three months ended June 30, 2010. During the six months ended June 30, 2011, cash used for investing activities was $227,131, compared to $887,888 for the six months ended June 30, 2010.

During the year ended December 31, 2010, cash used for investing activities was $1,532,708, compared to $110,116 for the year ended December 31, 2009 and $97,159 for the year December 31, 2008.

The period to period changes in cash used for investing activities are driven by the necessity to increase equipment purchases in order to facilitate volume growth and improve operating efficiencies.

Capital Expenditures

Capital expenditures were $222 thousand for the six months ended June 30, 2011, compared to $851 thousand for the six months ended June 30, 2010. The decrease in capital expenditures was due to the purchase of surface mount technology ("**SMT**") machinery in 2010.

Capital expenditures were $1.5 million for the year ended December 31, 2010, compared to $103 thousand for the year ended December 31, 2009. The increase in capital expenditures for the year ended December 31, 2010 was due to Avigilon spending $700 thousand for the purchase of SMT machinery. The SMT machinery was acquired in order to transition from contracting the circuit board production to manufacturing the circuit boards internally.

Financing Activities

Cash used by financing activities was $22 thousand for the six months ended June 30, 2011, compared to $710 thousand of cash generated in the six months ended June 30, 2010. The decrease in cash generated by financing activities during the six months ended June 30, 2011 was attributable to increased cash being generated from operations.

Cash generated by financing activities was $2.3 million in the year ended December 31, 2010, compared to $3.0 million of cash generated in the year ended December 31, 2009 and $5.8 million cash generated in the year ended December 31, 2008. The decrease in cash generated by financing activities was attributable to a decreased need to supplement funding requirements through financing activities as cash was being generated from operations.

Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2011 (amounts in $000s):

	2011	2012	2013	2014	2015	Thereafter	Total
Facility Lease Obligations	$259	$1,234	$1,594	$1,596	$1,473	$2,560	$8,716

Off-Balance Sheet Arrangements

As of June 30, 2011, the Corporation had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Transactions with Related Parties

The Corporation incurred sales of $24,090 for the three month period ended June 30, 2011 in the normal course of operations in connection with companies owned by key management and directors as compared with $23,010 for the three month period ended June 30, 2010.

The Corporation incurred sales of $90,641 for the six month period ended June 30, 2011 in the normal course of operations in connection with companies owned by key management and directors as compared to $61,325 for the six month period ended June 30, 2010.

The Corporation incurred sales of $188,843 for year ended December 31, 2010 in the normal course of operations in connection with companies owned by key management and directors as compared with $101,457 for year ended December 31, 2009 and $87,085 for year ended December 31, 2008.

The balance receivable from related parties was $2,648 as at June 30, 2011 as compared to a balance payable to related parties of $619 as at June 30, 2010.

Financial Instruments and Other Instruments

Avigilon recognizes financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial asset and liabilities, except for financial asset or liabilities at fair value through profit or loss, whereby the transaction costs are expensed as incurred.

Financial assets are classified into one of the following categories:

- fair value through profit or loss;
- held-to-maturity;
- available for sale; and
- loans and receivables.

Credit Risk

Avigilon's principal financial assets are cash, demand deposits and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represent Avigilon's maximum credit exposure at the balance sheet date.

The credit risk on cash and demand deposits is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

Avigilon is exposed to credit risk with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The amounts disclosed in the consolidated balance sheet are net of an allowance for doubtful accounts, estimated by the management of Avigilon based on previous experience and its assessment of the current economic environment. Avigilon mitigates credit risk through standard credit and reference checks.

Foreign Exchange Risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar, the United States dollar ("**USD**"), the British pound sterling ("**GBP**"), the Euro ("**EUR**") and the United Arab Emirates Dirham ("**AED**") will affect the Corporation's operating and financial results. Avigilon has earned a significant portion of its revenue in these currencies and does not enter into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

Interest Rate Risk

Avigilon has cash balances and carries a balance on its Line of Credit. Avigilon's current practice is to invest excess cash in investment grade securities and deposits.

Critical Accounting Policies and Estimates

Avigilon has adopted IFRS effective January 1, 2010 and the interim financial statements for the period ending June 30, 2011 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The application of IFRS requires that Avigilon make estimates that affect its reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Avigilon bases its estimates on historical experience and on various other assumptions that Avigilon believes to be reasonable under the circumstances. The Corporation evaluates its estimates and assumptions on an ongoing basis. Avigilon's actual results may differ significantly from these estimates.

The significant accounting policies and estimates are discussed below:

Revenue

- **Warranty Reserve** – A provision for future potential product warranty costs is included in cost of goods sold based primarily on prior warranty experience regarding cost of claims and expected product returns. These future product warranty costs include costs associated with repair or replacement of products returned under warranty. Actual future costs in support of these claims may differ from those estimates. The Corporation reviews the provision quarterly and adjusts it prospectively. The total provision as at June 30, 2011 was $130,000, which is consistent with the provision at December 31, 2010.
- **Valuation of inventory** – The Corporation evaluates inventory balances at each Statement of Financial Position date and record a provision as necessary for slow moving or obsolete inventory. In performing this

review the Corporation considers such factors as forecasted sales, demand requirements, product lifecycle and product development plans, quality issues, and current inventory levels. If future demand or market conditions for Avigilon's products are less favourable than forecasted or if unforeseen technological changes occur, Avigilon may be required to record write-downs which would negatively affect gross margins in the period when the write-downs are recorded and Avigilon's operating results and financial position could be adversely affected. At June 30, 2011 Avigilon's inventory provision was approximately $0.18 million, up slightly from December 31, 2010 where its provision was approximately $0.12 million.

- **Allowance for doubtful accounts** – Avigilon records an allowance for doubtful accounts related to trade accounts receivable. This allowance is based on Avigilon's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts recorded. At June 30, 2011, Avigilon's allowance for doubtful accounts was $0.11 million, consistent with the allowance as at December 31, 2010.
- **Valuation of deferred income tax and investment tax credit assets** – As at June 30, 2011, the Corporation has recorded a deferred income tax asset of $1.4 million, which reflects deferred tax deductions available against taxable income. The Corporation has also recorded refundable investment tax credits of $0.9 million which are available to reduce taxes payable. The calculation of Avigilon's deferred income tax and investment tax credit assets involves dealing with uncertainties in application of complex tax laws and regulations as well as assessing the probability of future realization. It is also possible that tax audits may result in potential reductions of assets and that such adjustments may materially affect the amounts reported for deferred income tax and investment tax credit assets.

Adoption of New Accounting Standards

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirements to present comparative financial information, the effective transition date is January 1, 2010. The three months ended March 31, 2011 is Avigilon's first reporting period under IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement, and disclosures. The Corporation has provided information on its transition to IFRS elsewhere in this Prospectus and in Note 16 of its unaudited interim consolidated condensed financial statements for the three months and six months ended June 30, 2011 ("**Note 16**"). The assessments and impacts discussion in Note 16 remain largely unchanged. See "*Management's Discussion and Analysis – Transitional Financial Impact*".

Transitional Financial Impact

The Corporation has provided a detailed explanation of the impacts of its transition to IFRS in Note 16. Note 16 includes reconciliations of Avigilon's statement of financial position and shareholders' equity from Canadian GAAP to IFRS as at December 31, 2010, June 30, 2010 and January 1, 2010, and its 2010 net earnings and comprehensive income for the year ended December 31, 2010, three months ended June 30, 2010 and six months ended June 30, 2010. Explanations of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are Avigilon's elections under IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Control Activities

For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any changes have been implemented. In addition, controls over the IFRS changeover process have been implemented, as necessary. The Corporation has identified and implemented the required accounting process changes that resulted from the application of IFRS accounting policies and these changes were not significant. The Corporation has completed the design, implementation and documentation of the internal controls over accounting process changes resulting from the application of IFRS accounting policies and have concluded that there were no significant process changes required. The Corporation applied its existing control framework to the IFRS changeover process.

Post-Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. It should be noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the

IFRS accounting policies that the Corporation has selected. In particular, Avigilon expects that there may be additional new or revised IFRSs or interpretations from the International Financial Reporting Interpretations Committee ("**IFRIC**") in relation to consolidation, joint ventures, financial instruments, hedge accounting, discontinued operations, leases, and revenue recognition. The Corporation has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and interpretations by IFRIC will be evaluated as they are drafted and published.

Future Changes in Accounting Policies

Financial Instruments – Disclosures

The IASB has issued an amendment (the "**IFRS 7 amendment**") to IFRS 7, "Financial Instruments: Disclosures", requiring incremental disclosures regarding transfers of financial assets. The IFRS 7 amendment is effective for annual periods beginning on or after July 1, 2011. Avigilon will apply the IFRS 7 amendment at the beginning of its 2012 financial year and does not expect the implementation to have a significant impact on its disclosures.

Deferred Taxes – Recovery of Underlying Assets

The IASB has issued an amendment (the "**IAS 12 amendment**") to IAS 12, "Income Taxes" ("**IAS 12**") that introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. Avigilon will apply the IAS 12 amendment at the beginning of its 2012 financial year. Avigilon has yet to assess the impact of the IAS 12 amendment on its results of operations, financial position and disclosures.

Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("**IFRS 9**"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("**IAS 39**"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. This standard becomes effective on January 1, 2013. Avigilon is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements" ("**IFRS 10**"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, "Consolidated and Separate Financial Statements" ("**IAS 27**"), and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Avigilon is currently evaluating the impact of this standard on its consolidated financial statements.

Fair Value Measurements

IFRS 13, "Fair Value Measurements" ("**IFRS 13**"), defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Avigilon is currently evaluating the impact of this standard on its consolidated financial statements.

Separate financial statements

IAS 27 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, "Joint Arrangements" and IFRS 12, "Disclosure of Interests in Other Entities". IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements as the consolidation guidance will now be included in IFRS 10.

Amendments to IAS 1 on presentation of items of other comprehensive income

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.

Outstanding Share Data

As of the date of this Prospectus, the Corporation has outstanding 17,248,202 Common Shares and 9,148,639 Class A Preferred Shares. Each Class A Preferred Share is convertible into one Common Share at the Conversion Rate on the Closing of the Offering, subject to adjustments in certain events. After payment of the Class A Dividend and immediately prior to the Closing of the Offering, the Class A Preferred Shares will be converted into an aggregate of 9,148,639 Common Shares. See "*Description of Securities – Conversion of Class A Preferred Shares*".

Avigilon also has 5,381,600 options outstanding issued under the Old Option Plan to acquire in aggregate 5,381,600 Common Shares, subject to adjustments in certain events. See "*Options to Purchase Securities*".

DESCRIPTION OF SECURITIES

Authorized and Issued Capital

Avigilon is authorized to issue an unlimited number of Common Shares and an unlimited number of Class A Preferred Shares. As at the date of this Prospectus, 17,248,202 Common Shares and 9,148,639 Class A Preferred Shares are issued and outstanding. Immediately prior to the Closing of the Offering, the Class A Preferred Shares will be converted into an aggregate of 9,148,639 Common Shares. See "*Description of Securities – Conversion of Class A Preferred Shares*".

Common Shares

At the Special Meeting, the shareholders will be asked to approve an amendment to the Articles to add certain rights, privileges, restrictions and conditions to the Common Shares. All of the Common Shares are to rank equally as to voting rights, participation in a distribution of the assets of Avigilon on a liquidation, dissolution or winding-up of Avigilon and entitlement to any dividends declared by Avigilon. The holders of the Common Shares are to be entitled to receive notice of, and to attend and vote at, all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Each Common Share is to carry the right to one vote. In the event of the liquidation, dissolution or winding-up of Avigilon, the holders of the Common Shares are to be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by Avigilon of all of its liabilities and subject to the rights of holders of other classes ranking in priority to the Common Shares with respect to the payment on such event. The holders of Common Shares are to be entitled to receive any dividends declared by Avigilon in respect of the Common Shares, subject to the rights of holders of other classes ranking in priority to the Common Shares with respect to the payment of dividends, on a pro rata basis. There is no set dividend rate or dividend schedule attributable to the Common Shares.

Class A Preferred Shares

The Class A Preferred Shares rank in priority to the Common Shares with respect to the payment of dividends and participation in the distribution of assets of Avigilon on a liquidation, dissolution or winding-up. Each Class A Preferred Share accrues the Class A Dividend, which is subject to adjustment in the event of stock dividends, stock splits, consolidation or similar events. Dividends may not be paid on shares in any other class or series of shares unless Avigilon first pays to the holders of the Class A Preferred Shares then outstanding an amount equal to at least the sum of the aggregate accrued and unpaid Class A Dividend, plus the dividend that would be paid to holders of Class A Preferred Shares if such holders had converted such shares into Common Shares. Upon (i) a liquidation, dissolution or winding-up of Avigilon; (ii) the acquisition of Avigilon by another entity if the shareholders of Avigilon do not own 50% or more of the votes of the new entity by means of any transaction or series of transactions; or (iii) the sale, lease, transfer or other disposition of all or substantially all of the assets of Avigilon, holders of Class A Preferred Shares are to receive, prior to any amount paid to any other class or series of shares of Avigilon, all accrued and unpaid Class A Dividends and the greater of: (i) the Issue Price for each Class A Preferred Share held by such holder; and (ii) the amount which such holder would receive if such holder's Class A Preferred Shares were converted into Common Shares. The Class A Preferred Shares are convertible into Common Shares at the option of each holder of such shares. Each Class A Preferred Share is convertible into one Common Share, plus such number of Common Shares issuable in respect of accrued Class A Dividends that remain unpaid at the time of such conversion at the Conversion Rate. Holders of Class A Preferred Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Additionally, holders of Class A Preferred Shares are entitled to vote together with the holders of Common Shares on votes submitted to a vote of the holders of Common Shares. Each Class A Preferred Share is entitled to the number of votes equal to the number of Common Shares into which such share could then be converted. Holders of Class A Preferred Shares hold a pre-emptive right to purchase that number of securities in any issuance of equity securities of Avigilon that would allow them to maintain their percentage interest in the equity capital of Avigilon on a fully-diluted basis, which pre-emptive right in accordance with the Preferred Share Rights has been waived by those holders of not less than two-thirds of the Class A Preferred Shares outstanding. The Class A Preferred Shares will convert into Common Shares on the Closing of the Offering in accordance with their terms. See "*Conversion of the Class A Preferred Shares*" and "*Payment of Accrued Dividend*".

Payment of Accrued Dividends

The Class A Preferred Shares accrue the Class A Dividend annually at the rate of 6% of the price paid for such Class A Preferred Shares per annum. As of June 30, 2011, there was an aggregate amount of $1,462,047 in accrued Class A Dividends which have not been declared by the directors or paid by Avigilon to the holders of the issued and outstanding Class A Preferred Shares. Avigilon is only able to pay out the Class A Dividends if there are no reasonable grounds for believing that Avigilon is, or after the payment of the Class A Dividends would be, unable to pay its liabilities as they become due or if the realizable value of Avigilon's assets would, after the payment, be less than the aggregate of its liabilities and stated capital of all classes of shares.

Avigilon intends to pay out the Class A Dividends prior to the Closing of the Offering. Assuming a payment date of ● , 2011, Avigilon expects to pay an aggregate of $ ● to the holders of the 9,148,639 issued and outstanding Class A Preferred Shares. This amount includes the following amounts to be paid to certain directors of the Corporation who are Class A Preferred Share holders:

Name	Number of Class A Preferred Shares	Class A Dividend Amount ($)(1)
Alexander Fernandes	475,418(2)	●
Wan Jung	363,000(3)	●
Harry Jaako	2,500,000(4)	●
Murray Tevlin	140,000(5)	●
Total	3,478,418	●

Notes:

(1) Assuming Class A Dividend is paid on ● , 2011.

(2) 147,000 Class A Preferred Shares are owned by and the Class A Dividend is to be paid to Avigilon Investments (VCC) Ltd. ("**Avigilon VCC**"). Such shares are directly attributable to Mr. Fernandes pursuant to an agreement between Avigilon VCC and Mr. Fernandes.

(3) 25,000 Class A Preferred Shares are owned by and the Class A Dividend is to be paid to Avigilon VCC. Such shares are directly attributable to Mr. Jung pursuant to an agreement between Avigilon VCC and Mr. Jung. 88,000 Class A Preferred Shares are owned by 514742 B.C. Ltd., which is a private corporation controlled by Mr. Jung.

(4) Class A Preferred Shares are owned by and the Class A Dividend is to be paid to British Columbia Discovery Fund (VCC) Inc. Mr. Jaako acts as its Board representative.

(5) 100,000 Class A Preferred Shares are owned by and the Class A Dividend is to be paid to Avigilon VCC. Such shares are directly attributable to Mr. Tevlin pursuant to an agreement between Avigilon VCC and Mr. Tevlin.

Automatic Conversion of Class A Preferred Shares

Pursuant to the Preferred Share Rights, the Class A Preferred Shares will automatically be converted into Common Shares, without any further required action on the part of Avigilon or the holders of the Class A Preferred Shares, immediately prior to the closing of a Qualified IPO (as defined in the Preferred Share Rights). The Offering constitutes a Qualified IPO for the purposes of the Preferred Share Rights.

Such conversion of the Class A Preferred Shares into Common Shares will be effected at a conversion rate (the "**Conversion Rate**") equal to $1.00 per Class A Preferred Share (the "**Issue Price**"), plus any accrued and unpaid Class A Dividends, divided by the Class A Conversion Price. The Class A Conversion Price is the original issue price of $1.00 per Class A Preferred Share, subject to adjustments for dilutive issuances. There have been no adjustment events and all accrued and unpaid Class A Dividends are to be paid in cash prior to Closing of the Offering.

After paying the Class A Dividends and in accordance with the conversion rights specified in the Preferred Share Rights, each Class A Preferred Share will be converted into one Common Share.

No fractional Common Shares will be issued upon conversion of the Class A Preferred Shares, but instead, a holder of Class A Preferred Shares who would be otherwise entitled to receive a fractional Common Share will receive a cash payment, based on the fair market value of the Common Shares as determined in good faith by the Board, in lieu of any such entitlement. As soon as practicable following the Closing of the Offering and the automatic conversion of the Class A Preferred Shares, Avigilon will provide to a former holder of Class A Preferred Shares a share certificate representing the Common Shares to which such holder is entitled, along with a cheque for the required cash payment, if any, with respect to such holder's fractional Common Share entitlement.

Immediately prior to Closing, Avigilon expects to issue an aggregate of 9,148,639 Common Shares and pay an aggregate amount of $NIL with respect to fractional share entitlements in connection with the conversion of the 9,148,639 issued and outstanding Class A Preferred Shares. These amounts take into account the payment of all accrued Class A Dividends prior to the Closing Date and may vary if there are voluntary conversions of Class A Preferred Shares prior to the Closing Date.

Proposed Amendments to Share Rights

Prior to the Closing of the Offering, the Special Meeting is to be called and held to propose certain amendments to the Articles of Avigilon.

First, the shareholders of the Corporation will be asked to amend the provision for the restriction on transfers of shares that is included in the Articles so that, in the event that Avigilon becomes a reporting issuer (as such term is defined pursuant to applicable securities laws), no such restriction will apply, to attach certain rights, restrictions, privileges and conditions to the Common Shares, being voting, dividend and liquidation rights typically attached to common shares of a reporting issuer and to remove a drag-along provision for a forced sale of shares in certain circumstances (the "**Drag-Along Provision**").

Second, Avigilon intends to ask the shareholders of Avigilon to approve an amendment to the Articles to eliminate the Class A Preferred Shares and to remove the rights, privileges, restrictions and conditions attached to the Class A Preferred Shares (the "**Preferred Share Rights**"), each of which amendments is to become effective following the conversion of the Class A Preferred Shares upon Closing of the Offering.

Shareholders' Agreement

The Corporation is party to a shareholders' agreement dated for reference as of the 18th day of June, 2008, as amended, among the Corporation and certain shareholders of the Corporation (the "**Shareholders' Agreement**"). Pursuant to the Shareholders' Agreement, the Corporation is subject to certain restrictions and it has granted a pre-emptive right to acquire any securities issued from treasury to those shareholders who are party to the Shareholders' Agreement. In connection with the Offering and pursuant to the Shareholders' Agreement, the Corporation has sought and received from those shareholders of the Corporation that are parties to the Shareholders' Agreement waivers and consents, as applicable, for (i) issuance of the Offered Shares; (ii) adoption of the 2011 Option Plan; and (iii) the proposed amendments to the Share Rights and the Articles to be voted on by the shareholders of the Corporation. Upon the Closing of the Offering, the Shareholders' Agreement will be automatically terminated in accordance with its terms.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Avigilon as at June 30, 2011, before and after giving effect to the Offering and without giving effect to the conversion of the Class A Preferred Shares. The table should be read in conjunction with the financial statements of Avigilon and related notes appearing elsewhere in this Prospectus.

Capital	Outstanding as at June 30, 2011 prior to giving effect to the Offering	Outstanding as at June 30, 2011 after giving effect to the Offering (1)(2)
Preferred Shares liability	$10,610,686	●
Shareholders equity		
Common Shares	$ 9,475,603	●
Equity Reserve	$ 3,636,274	●
Deficit	$ (9,129,496)	●
Total shareholders equity	$ 3,982,381	●
Total capitalization	$14,593,067	●

Notes:

(1) After deducting Avigilon's share of the Underwriters' Fee of $ ● and the Offering expenses estimated at approximately $ ● .

(2) Assumes exercise in full of the Over-Allotment Option.

OPTIONS TO PURCHASE SECURITIES

The Board previously adopted a stock option plan dated June 13, 2008 (the "**Old Option Plan**") pursuant to which incentive stock options have been granted to officers, directors and employees of, and other service providers to, Avigilon, which plan permitted the granting of options to purchase up to a maximum of 5,500,000 Common Shares.

The Board has ceased granting options under the Old Option Plan. On September 15, 2011, the Board approved and adopted a new stock option plan (the "**2011 Option Plan**"), effective upon Closing of the Offering, to comply with TSX listing requirements. All existing options granted under the Old Option Plan and all new options granted under the 2011 Option Plan will be governed by the 2011 Option Plan. For a description of the 2011 Option Plan, see "*Executive Compensation – Option-Based Awards*".

As of the date hereof, 5,381,600 options remain outstanding under the Old Option Plan. The following table sets out information regarding the outstanding options to purchase Common Shares held by the following parties as at the date of this Prospectus.

Category	Date of Grant	Common Shares underlying Options Granted	Exercise Price ($)	Expiry Date
All current and former executive officers of Avigilon (3 individuals)	January 2, 2006	585,000	1.00	January 2, 2013
	March 20, 2006	320,000	1.00	March 20, 2013
	May 16, 2006	810,000	1.00	May 16, 2013
	February 1, 2008	90,000	1.00	February 1, 2013
	January 2, 2010	100,000	1.00	January 2, 2015
	Subtotal:	1,905,000		
All current and former directors who are not also executive officers of Avigilon (5 individuals)	September 6, 2005	200,000	1.00	September 6, 2012
	January 2, 2006	350,000	1.00	January 2, 2013
	June 18, 2008	200,000	1.00	June 18, 2015
	August 18, 2011	100,000	4.00	August 18, 2016
	Subtotal:	850,000		
All other current and former employees of Avigilon	January 2, 2006	928,000	1.00	January 2, 2013
	March 1, 2006	30,000	1.00	March 1, 2013
	March 6, 2006	55,000	1.00	March 6, 2013
	March 26, 2006	50,000	1.00	March 26, 2013
	April 3, 2006	11,700	1.00	April 3, 2013
	May 1, 2006	40,000	1.00	May 1, 2013
	May 15, 2006	30,000	1.00	May 15, 2013
	May 18, 2006	100,000	1.00	May 18, 2013
	May 20, 2006	80,000	1.00	May 20, 2013
	June 28, 2006	100,000	1.00	June 28, 2013
	July 14, 2006	100,000	1.00	July 14, 2013
	December 4, 2006	40,000	1.00	December 4, 2013
	April 24, 2007	90,000	1.00	April 24, 2012
	August 1, 2007	4,000	1.00	August 1, 2012
	August 7, 2007	20,000	1.00	August 7, 2012
	January 2, 2008	186,000	1.00	January 2, 2013
	February 25, 2008	30,000	1.00	February 25, 2013
	June 18, 2008	16,000	1.00	June 18, 2013
	January 2, 2009	26,000	1.00	January 2, 2014
	May 1, 2009	45,000	1.00	May 1, 2014
	September 1, 2009	15,000	1.00	September 1, 2014
	October 1, 2009	15,000	1.00	October 1, 2014
	December 1, 2009	15,000	1.00	December 1, 2014
	January 2, 2010	50,000	1.00	January 2, 2015
	April 19, 2010	18,400	2.00	April 19, 2015
	May 1, 2010	15,000	2.00	May 1, 2015
	June 15, 2010	60,000	2.00	June 15, 2015
	September 1, 2010	15,000	2.00	September 1, 2015
	September 8, 2010	6,000	2.00	September 8, 2015
	November 15, 2010	6,000	2.00	November 15, 2015
	December 1, 2010	15,000	2.00	December 1, 2015
	December 6, 2010	6,000	2.00	December 6, 2015
	January 4, 2011	6,000	2.00	January 4, 2016
	February 1, 2011	6,000	2.00	February 1, 2016
	February 15, 2011	6,000	2.00	February 15, 2016
	April 4, 2011	256,000	3.00	April 4, 2016
	July 1, 2011	34,500	4.00	July 1, 2016
	Subtotal:	2,526,600		
Consultants of Avigilon	December 29, 2005	100,000	1.00	December 29, 2012
	Subtotal:	100,000		
	Total:	5,381,600		

PRIOR SALES

No Common Shares or Class A Preferred Shares of Avigilon have been issued in the 12 months prior to the date of this Prospectus. Pursuant to the conversion of the Class A Preferred Shares in accordance with their terms and in connection with the Closing of the Offering, Avigilon will issue approximately 9,148,639 Common Shares to holders of the issued and outstanding Class A Preferred Shares.

During the 12 months prior to the date of this Prospectus, Avigilon granted, under the Old Option Plan, options to acquire an aggregate of 435,500 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Common Shares underlying Options Granted	Exercise Price ($)
November 15, 2010	6,000	2.00
December 1, 2010	15,000	2.00
December 6, 2010	6,000	2.00
January 4, 2011	6,000	2.00
February 1, 2011	6,000	2.00
February 15, 2011	6,000	2.00
April 4, 2011	256,000	3.00
July 1, 2011	34,500	4.00
August 18, 2011	100,000	4.00
Total	435,500	

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

Certain executive officers, directors and employees of Avigilon holding in aggregate approximately 40% of the Common Shares prior to the Closing of the Offering, assuming conversion of the Class A Preferred Shares (● % after the Offering or ● % after the Offering, assuming exercise of the Over-Allotment Option in full) (the "**Locked-up Shareholders**") as well as the Selling Shareholders have entered into lock-up agreements with the Underwriters. The lock-up agreements entered into by the Selling Shareholders provide that, subject to certain exceptions including in connection with the Secondary Offering, the Selling Shareholders may not sell Common Shares or securities convertible or exchangeable into Common Shares (or announce any intention to do so) for the period commencing on the Closing Date and ending on the date that is 180 days after the Closing Date. The lock-up agreements entered into by the other Locked-up Shareholders contain similar lock-up restrictions to those applicable to the Selling Shareholders but the lock-up will only apply in respect of 80% of the Common Shares held by such individuals as of the Closing Date and will not apply in respect of any Offered Shares acquired by such individuals pursuant to the Offering.

The number of Common Shares that are subject to contractual restrictions on transfer and the percentage of Avigilon's outstanding Common Shares represented by such Common Shares are set out below:

Name or Category of Shareholder	Number of Common Shares that are subject to contractual restrictions on transfer(1)	Percentage of Common Shares before giving effect to the Offering(1)	Percentage of Common Shares after giving effect to the Offering(2)
Executive Officers, Directors and Employees	10,187,008	32.1%	● %
Selling Shareholders	2,280,000	7.1%	● %
Total	12,467,008	39.2%	● %

Notes:

(1) Numbers of Common Shares are provided on a fully-diluted basis.

(2) ● % if the Over-Allotment Option is exercised in full.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of the Corporation's shares as at the date of this Prospectus by (i) to the knowledge of the Corporation's directors and executive officers, each person who beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying 10% or more of the voting rights attaching to any class of voting securities of Avigilon; and (ii) the Selling Shareholders.

	Shares Beneficially Owned Prior to the Offering(1)			Shares Beneficially Owned After Offering(1)	
Name	Number of Common Shares Owned, Controlled or Directed(2)	% of Common Shares(3)	Common Shares to be sold pursuant to Secondary Offering(4)	Number of Common Shares Owned, Controlled or Directed (assuming no exercise of the Over-Allotment Option / assuming exercise in full of the Over-Allotment Option)	% of Class (assuming no exercise of the Over-Allotment Option / assuming exercise in full of the Over-Allotment Option)(5)
Alexander Fernandes	3,665,418	13.9%	Nil	3,665,418 /3,665,418	● % / ● %
British Columbia Discovery Fund (VCC) Inc.	2,500,000	9.5%	●	●/●	● % / ● %
Mustafa Evren Kutlubay	1,000,000	3.8%	●	●/●	● % / ● %
Total	7,165,418	27.1%	●	●/●	● % / ● %

Notes:

(1) After giving effect to the conversion of the Class A Preferred Shares.

(2) British Columbia Discovery Fund (VCC) Inc. and Mr. Kutlubay are the registered and beneficial owners of such Common Shares. Mr. Fernandes is the registered and beneficial owner of 310,000 Common Shares and beneficially owns or controls the remainder.

(3) On a fully-diluted basis, the % of Common Shares owned, controlled or directed by Mr. Fernandes, British Columbia Discovery Fund (VCC) Inc. and Mr. Kutlubay are 11.5%, 7.9% and 3.1%, respectively.

(4) If the Over-Allotment Option is exercised in full, the number of Common Shares to be sold by Mr. Fernandes, British Columbia Discovery Fund (VCC) Inc. and Mr. Kutlubay are Nil, ● and ● , respectively.

(5) On a fully-diluted basis, the % of Class owned, controlled or directed by Mr. Fernandes, British Columbia Discovery Fund (VCC) Inc. and Mr. Kutlubay are ● % / ● %, ● % / ● % and ● % / ● %, respectively.

As indicated in the table above, prior to the Offering, the Selling Shareholders own or control, directly or indirectly, an aggregate of 3,500,000 Common Shares representing 13.3% of the issued and outstanding Common Shares assuming payment of the Class A Dividend and conversion of the Class A Preferred Shares. After giving effect to the Offering (but assuming no exercise of the Over-Allotment Option), the Selling Shareholders will own or control, directly or indirectly, an aggregate of 2,280,000 Common Shares, representing approximately ● % of the outstanding Common Shares. After giving effect to the Offering and assuming the Over-Allotment Option is exercised in full, the Selling Shareholders will sell or cause to be sold pursuant to the Secondary Offering an aggregate of 1,403,000 Common Shares representing ● % of the outstanding Common Shares, and the Selling Shareholders will own or control, directly or indirectly, an aggregate of 2,097,000 Common Shares, representing approximately ● % of the outstanding Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The Corporation's directors are elected by the shareholders of Avigilon at each annual general meeting and typically hold office until the next annual general meeting at which time they may be re-elected or replaced. Casual vacancies on the Board are filled by the remaining directors and the persons filling those vacancies hold office until the next annual general meeting at which time they may be re-elected or replaced. Avigilon's officers are appointed by the Board and hold office indefinitely at the pleasure of the Board.

The following table sets forth the name of each of Avigilon's directors and executive officers as at the Closing of the Offering, assuming payment of the Class A Dividend and conversion of the Class A Preferred Shares, their province or state and country of residence, their position(s) with Avigilon, their principal occupation during the preceding five years, the date they first became, or are to become a director of Avigilon and the number and type of shares of Avigilon held.

Name and Municipality of Residence of Directors	Position with Avigilon	Principal Occupation	Director or Officer Since	Number of Common Shares Held[(1)]
Alexander Fernandes[(2)] . . . British Columbia, Canada	President, Chairman, CEO and a Director	President and CEO, Avigilon	June 28, 2006	3,665,418
Wan Jung . . . . British Columbia, Canada	CFO and a Director	CFO, Avigilon	October 22, 2004	1,953,201
Bruce Marginson[(2)(3)] . . . . . British Columbia, Canada	Director	President and Founder, Fusion Security Inc., a full service security provider	June 28, 2007	200,000
Harry Jaako[(2)(3)] . . . . British Columbia, Canada	Director	Director, President and Venture Investment Manager, Discovery Management Capital Corp., manager of British Columbia Discovery Fund (VCC) Inc.	June 18, 2008	2,500,000[(4)]
Murray Tevlin [(2)(3)] . . . . British Columbia, Canada	Director	Lawyer, TevlinGleadle Employment Law Strategies	August 18, 2011	200,000
Andrew Martz . . . . British Columbia, Canada	COO	COO of Avigilon	October 26, 2010	95,000

Notes:

(1) Following the Closing of the Offering and including the conversion of the Class A Preferred Shares, the Secondary Offering and exercise of the Over-Allotment Option in full.

(2) Member of the Audit Committee.

(3) Member of the Compensation and Corporate Governance Committee.

(4) These shares are owned by British Columbia Discovery Fund (VCC) Inc. Mr. Jaako acts as its representative on the Board.

Directors and Executive Officers

The following is a brief description of the background of the key members of Management.

Alexander Fernandes

Mr. Fernandes has more than 20 years of experience leading companies that develop, manufacture and market high-end digital imaging products, software and hardware. Prior to co-founding Avigilon, Mr. Fernandes was founder, director, chairman, CEO and president of Quantitative Imaging Corporation ("**QImaging**"). QImaging was a developer and manufacturer of high performance quantitative digital cameras and software for the scientific imaging and machine vision markets. QImaging was sold to Roper Industries, Inc., a multi-billion dollar company listed on the New York Stock Exchange, in 2002. Mr. Fernandes obtained a certificate from Vancouver Community College in 1991.

Wan Jung

Prior to joining Avigilon, Mr. Jung was Vice President of Finance for QImaging from 2001 to 2004. Mr. Jung was the Director of Finance with NIKE Canada Ltd. ("**NIKE**") for 14 years, from 1981 to 1995, during which period NIKE's revenue increased from $25 million to $400 million per year. Mr. Jung has been a member of the Certified General Accountants of British Columbia since October 1985. Over the past 10 years, Mr. Jung has sat on the board of directors of 11 public companies and is currently a director of Andele Capital Corporation and Javelle Capital Corp., and he is the CFO of Hillcrest Resources Ltd.

Bruce Marginson

With over 30 years experience in the security industry, Mr. Marginson has extensive operational and management experience in almost all areas of the private security industry. This includes CCTV video systems, physical and electronic security systems, manpower security, policies and procedures, investigations and technical intelligence. Mr. Marginson is the President and founder of Fusion Security Inc. ("**Fusion**"), a local integrated security company formed in September 2005. Prior to founding Fusion, he spent nearly 20 years with Intercon Security Ltd. from 1983 to 2004 in various capacities, including as Vice-President and General Manager, where he was responsible for all strategic and operational aspects of that company's western Canadian operations, which grew from $5 million per year to over $27 million per year during his tenure. Mr. Marginson is a member of the Vancouver Board of Trade, the American Society of Industrial Security and the Building Owners & Managers Association International. Mr. Marginson holds designations as a Certified Marketing Manager and Certified Sales Executive.

Harry Jaako

Mr. Jaako is the President of Discovery Capital Management Corp. ("**DCMC**"), a venture capital firm, and is also President and a Director of British Columbia Discovery Fund (VCC) Inc., a British Columbia venture capital fund managed by DCMC. He has held these director and officer positions for more than five years, since January 2003 and November 2002, respectively. He was also the Chairman, Director, Co-Chief Executive Officer and Insider of Discovery Capital Corporation (a publicly-traded, venture capital company), the former parent company of DCMC, from July 2000 to October 2007. Mr. Jaako serves as a Director of each of Texada Software Inc., TMX Group Inc. and Vigil Health Solutions Inc., and he is the President of Gull Ventures Inc., a family holding company. Mr. Jaako is also the Honorary Consul for Estonia in British Columbia. Mr. Jaako holds a B.Eng. from Lakehead University.

Murray Tevlin

Murray Tevlin is a senior partner in TevlinGleadle Employment Law Strategies and the President of Murray Tevlin Law Corporation. He advises corporations, executives and physician groups on legal and strategic issues, dispute resolution and contract negotiations. He was called to the bar of B.C. in 1979. Prior to founding his firm he was a Crown Prosecutor, then a partner in a leading national law firm and in a leading local law firm and a member of the executive committee of both firms. He holds a B.A. from Carleton University and an LL.B from the University of British Columbia.

Andrew Martz

Mr. Martz has extensive experience in software development, digital camera design and manufacturing. Mr. Martz previously was a member of several high-profile design teams, including as a developer of advanced digital camera products at QImaging from May 2004 to August 2004, Point Grey Research from September 2004 to December 2004, and as a software developer at Electronic Arts, an interactive entertainment software company in 2003. Mr. Martz is named as inventor on a pending patent relating to a core technology of Avigilon. Mr. Martz attended the University of British Columbia from 2001 to 2004.

Shareholdings of Directors and Senior Officers

After the Closing of the Offering, including after giving effect to the conversion of the Class A Preferred Shares, Avigilon's directors and executive officers, as a group, will beneficially own, control or direct, directly or indirectly, 5,363,619 Common Shares representing approximately ● % of the Common Shares (5,213,619 Common Shares representing approximately ● % of the Common Shares, assuming exercise of the Over-Allotment Option in full) and will hold options to acquire an additional 2,115,000 Common Shares, representing in aggregate approximately

● % of the Common Shares on a fully-diluted basis. In connection with the Closing of the Offering, the Class A Preferred Shares will be automatically converted into Common Shares in accordance with the Preferred Share Rights. See "*Description of the Securities – Conversion of the Class A Preferred Shares*".

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set out below, none of Avigilon's directors or executive officers is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Avigilon) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (a "**Cease Trade Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as set out below, none of Avigilon's directors or executive officers, nor, to Avigilon's knowledge, any shareholder holding a sufficient number of the Corporation's securities to affect materially the control of Avigilon (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including ours) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

Except as set out below, none of Avigilon's directors or executive officers, nor, to Avigilon's knowledge, any shareholder holding a sufficient number of the Corporation's securities to affect materially the control of Avigilon, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Receivership of Cryopak Industries Inc.

Mr. Jaako was considered an insider of Cryopak Industries Inc. ("**Cryopak**") by virtue of him being a Director, Chairman and Co-CEO of Discovery Capital Corporation ("**DCC**") and the investment made by affiliates of DCC in Cryopak. Mr. Jaako was never a director or officer of Cryopak. On September 29, 2006, Cryopak was placed into receivership by its creditors, and thereafter, substantially all of Cryopak's assets and those of its operating subsidiary were sold and it was suspended from trading on the TSX Venture Exchange. It was cease traded for failing to file financial statements.

Bankruptcy of Circon Systems Corporation

Mr. Jaako was considered an insider of Circon Systems Corporation ("**Circon**") by virtue of him being a Director, Chairman and Co-CEO of DCC and the investment made by affiliates of DCC in Circon. Mr. Jaako was never a director or officer of Circon. Circon made an assignment in bankruptcy on January 13, 2009. Efficient Building Automation Corp. announced on March 31, 2009 that it had acquired the assets of Circon's building automation business, including its technology, brand, trademarks and trade names, and such acquisition was completed effective March 5, 2009. Circon remains in bankruptcy.

Receivership of IDELIX Software Inc.

Mr. Jaako was considered an insider of IDELIX Software Inc. ("**Idelix**") by virtue of him being a Director, Chairman and Co-CEO of DCC and the investment made by affiliates of DCC in Idelix. Mr. Jaako was never a director or officer of Idelix. A receiver-manager was appointed for Idelix on May 7, 2009. The receiver-manager sold all of the assets of Idelix, which has no employees and has ceased operations.

Conflicts of Interest

To the best of Avigilon's knowledge, there are no known existing or potential conflicts of interest between Avigilon or any subsidiary of Avigilon and any of the Corporation's directors or officers as a result of such individual's outside business interests at the date hereof. However, certain of the Corporation's directors and officers are, or may become, directors or officers of other companies, with businesses which may conflict with Avigilon's business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on behalf of Avigilon. Pursuant to the CBCA, directors are required to act honestly and in good faith with a view to the best interests of Avigilon. As required under the CBCA, the Corporation's directors and officers must disclose the nature and extent of any interest in a material contract or transaction of Avigilon if such director or officer is a party to, a director or officer of a party to or has a material in the contract or transaction. A director who holds such an interest in a contract or transaction into which Avigilon has entered or proposes to enter may generally not vote on any directors' resolution to approve the contract or transaction.

Generally, as a matter of practice, directors or executive officers who have disclosed a material interest in any transaction or agreement that the Board is considering will not take part in any Board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will abstain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Board will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict. See "*Risk Factors*".

Indemnity Agreements

Avigilon has entered into indemnity agreements with each of its directors and officers to indemnify them against any losses incurred as a result any claims against them in connection with the performance of their duties as a director or officer of Avigilon, or any related entity where such position is held at Avigilon's request. Such indemnification is to the fullest extent permitted under the CBCA against all costs, judgements, damages, expenses (including legal fees and disbursements on a full indemnity basis), fines, liabilities (statutory or otherwise), charges, claims, losses or penalty which the indemnitees may sustain, incur or be liable for and in any action, inquiry, investigation, suit or other proceeding before a court or other tribunal. The indemnity agreements also provide for advancement of expenses by the Corporation on an interim basis in certain circumstances.

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of Avigilon's executive compensation program, with particular emphasis on the process for determining compensation payable to the CEO, the CFO and each of the three most highly compensated executive officers other than the CEO and CFO (collectively, the "**Named Executive Officers**" or "**NEOs**"). Avigilon's NEOs, based on the compensation paid in the year ended December 31, 2010, are as follows:

- Alexander Fernandes, CEO;
- Wan Jung, CFO;
- Bryan Schmode, Vice President, Global Sales (previously, Senior Director of Sales);
- Dave Tynan, former Vice President, Sales; and
- Brian Giampaoli, Senior Sales Director.

Compensation Discussion and Analysis

Overview

Avigilon's approach to executive compensation is to provide suitable compensation for executives that is equitable and competitive and reflects individual achievement. The Corporation's compensation arrangements are designed to attract and retain highly qualified individuals who are able to carry out the Corporation's business objectives.

On September 15, 2011, the Board reconstituted its former Compensation Committee and renamed it the compensation and corporate governance committee (the "**Compensation and Corporate Governance Committee**"). The Compensation and Corporate Governance Committee will be responsible for recommending a compensation policy to the Board, and Avigilon expects the Compensation and Corporate Governance Committee to make such recommendations after the Closing of the Offering. See "*Committees of the Board of Directors – Compensation and Corporate Governance Committee*".

The Compensation and Corporate Governance Committee will be governed by a charter that sets guidelines for determining the review, the adequacy and form of compensation and benefits of senior executive officers based on Avigilon's performance, the compensation of senior executive officers at comparable companies, compensation in previous years, the experience and skills of the officer and any other factor the committee determines to be relevant. Executive compensation will be determined at the discretion of the Compensation and Corporate Governance Committee, based on objectives or criteria set by the Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee will, in its discretion, recommend annual and long-term performance goals and objectives for the senior executive officers to the Board for its approval. The Compensation and Corporate Governance Committee will evaluate the performance of the CEO in light of the approved performance goals and objectives and determine his compensation and assist the CEO as necessary in determining the compensation of the other senior executive officers. The Compensation and Corporate Governance Committee will make recommendations to the Board with respect to Avigilon's equity based compensation plan. The Compensation and Corporate Governance Committee will also review and recommend the compensation for independent directors and committee members for approval by the Board.

Compensation Objectives

Avigilon's compensation practices are designed to retain, motivate and reward its senior executive officers for their performance and contribution to the Corporation's long-term success. The Board seeks to compensate the Corporation's senior executive officers by combining both short and long-term cash and equity incentives. The Board also seeks to reward the achievement of corporate and individual performance objectives, and to align senior executive officers' incentives with Avigilon's performance. Avigilon seeks to tie individual goals to the area of the senior executive officer's primary responsibility. The Corporation expects that these goals may include the achievement of specific financial or business development goals. Corporate performance goals are based on the financial performance of Avigilon during the applicable financial year.

Compensation Components

With respect to significant elements of compensation to be paid to executive officers, Avigilon's compensation arrangements may, in addition to salary, include compensation in the form of bonuses and benefits as well as long-term equity incentives arising from the grant of share options. Depending on the future development of Avigilon and other factors that may be considered relevant by the Compensation and Corporate Governance Committee and the Board from time to time, Avigilon may determine in the future to emphasize increased base salaries and rely to a lesser extent on share options or other incentives.

Base Salary

Base salaries for the Corporation's senior executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account competitive market compensation paid by other companies in the Corporation's industry for similar positions and the overall market demand for such executives at the time of hire. Base salaries are reviewed annually and increased for merit reasons and in response to market changes. Additionally, base salaries may be changed as warranted throughout the year for promotions or other changes in the scope of a senior executive officer's role and responsibilities.

Annual Bonus

The Corporation's compensation program includes eligibility for an annual incentive cash bonus. Avigilon assesses the level of the senior executive officer's achievement of meeting individual goals, as well as Avigilon's performance in achieving annual performance objectives recommended by the Compensation and Corporate Governance Committee and approved by the Board. The amount of the annual cash bonus depends on the level of individual and corporate levels of achievement and on the profitability of Avigilon.

Long-Term Equity Incentive Plans

Avigilon believes that equity-based awards allow the Corporation to reward senior executive officers and directors for their sustained contributions to Avigilon and align their interests with those of the Corporation's shareholders. Avigilon also believes that equity awards incentivize employee continuity and retention and enhance the Corporation's product development and sales efforts. The Board believes that incentive stock options provide management with a strong link to long-term performance of Avigilon and the creation of shareholder value. Historically, the Board granted options to purchase Common Shares pursuant to the Old Option Plan. As of the date hereof, 5,381,600 options remain outstanding under the Old Option Plan. The Board has ceased granting options under the Old Option Plan. On September 15, 2011, the Board adopted the 2011 Option Plan, effective upon Closing of the Offering. All existing options granted under the Old Option Plan and all new options granted under the 2011 Option Plan will be governed by the 2011 Option Plan.

Compensation of Named Executive Officers

The following table sets out the significant elements of the compensation to be awarded to the Named Executive Officers of Avigilon:

					Long Term Compensation				
		Annual Compensation			Awards		Payout		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options ($)	Shares or Units Subject to Resale Restrictions ($)	LTIP Payouts(1) ($)	All Other Compensation ($)	Total Compensation
Alexander Fernandes, President and CEO	2010	160,000	137,184	1,368	—	N/A	N/A	—	298,552
	2009	140,000	82,013	1,296	—			—	223,309
	2008	130,000	57,250	1,296	—			—	188,546
Wan Jung, CFO	2010	150,000	137,184	1,368	—	N/A	N/A	—	288,552
	2009	130,000	82,013	1,296	—			—	213,309
	2008	120,000	57,520	1,296	—			—	178,546
Bryan Schmode, VP Global Sales	2010	115,010	N/A	203,581	—	N/A	N/A	—	318,591
	2009	125,617		142,393	—			—	268,010
	2008	87,946		171,105	—			—	229,051
Dave Tynan, former VP Sales(2)	2010	120,159	N/A	166,773	—	N/A	N/A	—	286,932
	2009	159,877		124,388	—			—	284,265
	2008	111,931		72,808	—			—	184,739
Brian Giampaoli, Senior Sales Director	2010	74,749	N/A	144,635	—	N/A	N/A	—	219,384
	2009	79,939		107,846	—			—	187,785
	2008	55,966		113,926	—			—	169,892

Notes:

(1) "LTIP" or "long term incentive plan" means any plan that provides compensation intended to motivate performance to occur over a period greater than one financial year, but does not include option or stock appreciation right plans or plans to compensation through restricted shares or restricted share units.

(2) Mr. Tynan ceased to be employed by Avigilon effective in October 2010.

Option-Based Awards

Historically, Avigilon has granted options to purchase Common Shares pursuant to the Old Option Plan. The Board has ceased granting options under the Old Option Plan. On September 15, 2011, the Board approved the 2011 Option Plan, effective upon Closing of the Offering. All existing options granted under the Old Option Plan and all new options granted under the 2011 Option Plan will be governed by the 2011 Option Plan.

Key Provisions of the 2011 Option Plan

Granting and Vesting

The Compensation and Corporate Governance Committee will be responsible for administering the 2011 Option Plan. The Board, or the Compensation and Corporate Governance Committee if the Board delegates its power, will make grants of incentive stock options to Eligible Persons (as defined in the 2011 Option Plan), which includes officers, directors, employees and consultants of Avigilon and related entities. Each option will entitle the holder to buy one Common Share, subject to certain adjustments. The Board generally grants options in five-year terms, which is the maximum option period provided for under the 2011 Option Plan, but can set shorter terms if it wishes. The Board also has discretion to determine vesting restrictions, and in connection therewith determine the terms under which vesting of the options may be accelerated. Options granted under the 2011 Option Plan may be exercised as soon as they have vested.

Exercising Options

The Board determines an option's exercise price on the grant date of such option. The exercise price must be at least equal to the market value of the Common Shares at that time (the Closing price of the Common Shares on the TSX on the trading day immediately before the grant date). If there is no closing price, the market value is the share price used in the last trade on the grant date.

Options cannot be exercised if the exercise period has expired. If options expire during a trading black-out period, they can be exercised within 10 days after the black-out period is lifted. The Corporation does not provide any financial assistance to participants when they exercise their options.

Assigning or Transferring Options

Options cannot be assigned or transferred to another person other than by will or by law if the option holder dies. The Board must approve any requests to transfer options to a holder's holding company or registered plan.

Special Situations

If the option holder is no longer eligible to participate in the 2011 Option Plan, he or she has 30 days to exercise any vested options, except on death, where his or her estate has 365 days to exercise the vested options, or on termination for cause, where all options terminate immediately.

The Board may in its sole discretion increase the periods permitted to exercise all or any of the options following a termination of employment, engagement or directorship provided that no options shall be exercisable following the expiration of the option period applicable to the option.

Shares Reserved for Issuance

The 2011 Option Plan limits the total number of Common Shares that can be reserved for issue under the 2011 Option Plan (subject to reloading and adjustments) to no more than 18% of Common Shares issued and outstanding from time to time, as follows:

- The 2011 Option Plan limits the number of Common Shares that can be reserved for issue under the 2011 Option Plan for a single individual to no more than 5% of the Common Shares issued and outstanding on the grant date.
- Common Shares that were reserved for options that expire, are cancelled or otherwise terminated for any reason can be used for other options issued under the 2011 Option Plan.

Restrictions for Insiders

No more than 18% of Common Shares issued and outstanding on the grant date (on a non-diluted basis), can be reserved for issue to insiders under the 2011 Option Plan and under any other security based compensation arrangement. In any one-year period, no more than 10% of Common Shares issued and outstanding (on a non-diluted basis) can be issued to insiders through the 2011 Option Plan and any other security based compensation arrangement.

Reloading Feature

The 2011 Option Plan is a rolling plan. When options are exercised, the same number of Common Shares may be reserved for issue at a later date (known as reloading).

Corporate Changes

If Avigilon amalgamates, consolidates, or merges with or into another body corporate, option holders are entitled to receive other securities, property or cash (in lieu of Common Shares).

If it is imminent that the Common Shares will be exchanged or replaced with those of another company because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the Board can use its discretion to accelerate the period for exercising options under the 2011 Option Plan and for fulfilling any conditions or restrictions when they are exercised, among other things.

If a third party makes an offer to buy all of the Common Shares, the Board can use its discretion to accelerate the period for exercising options under the 2011 Option Plan and for fulfilling any conditions or restrictions when they are exercised.

Amendments

Except as described below, shareholders must approve all changes to the 2011 Option Plan, including changes that involve:

- changing the number of Common Shares that can be reserved for issue under the 2011 Option Plan, including increasing the fixed maximum or fixed maximum percentage, changing from a fixed maximum number to a fixed maximum percentage or changing from a fixed maximum percentage to a fixed maximum number (an increase doesn't include reloading after options are exercised, as long as the fixed maximum or percentage is not increased); or
- adding or changing any kind of financial assistance provisions.

The Corporation does not need shareholder approval to make changes like:

- changing the termination provisions of the options or 2011 Option Plan, as long as it does not extend beyond the original expiry date;
- adding a cashless exercise feature that can be paid in cash or securities, whether or not it reduces the number of underlying Common Shares from the Corporation's reserve;
- adding deferred or restricted share unit or any other provision which results in eligible persons receiving securities while no cash consideration is received by Avigilon;
- making housekeeping changes like correcting errors or clarifying ambiguities; or
- updating the 2011 Option Plan to reflect changes in the governing laws, including any TSX compliance requirements.

The Board can adjust or terminate any outstanding option, including substituting it for another award, changing the exercise date or making other changes, as long as the option holder consents to the change if it would have a material and adverse effect on him or her. The Board can also extend the exercise period or lower the exercise price if it receives shareholder approval.

If the exercise price of any outstanding option granted to an insider is reduced, or the exercise period is extended, the Corporation must receive approval from the disinterested shareholders, according to the terms of the 2011 Option Plan and TSX and other regulatory requirements.

Other Terms and Conditions

Any options that have not been allocated must be reconfirmed by a majority of disinterested shareholders every three years, or the Board will not be able to grant any additional options under the 2011 Option Plan. Shareholders will be asked to reconfirm the unallocated options and approve the 2011 Option Plan at the Corporation's annual meeting in 2014.

The Board can suspend or terminate the 2011 Option Plan at any time, and impose other terms and conditions on any options granted under the 2011 Option Plan. The Board can change or terminate the 2011 Option Plan and any outstanding options if a securities regulator, stock exchange or a market requires it as a condition of approving a distribution of Common Shares to the public, or to obtain or maintain a listing or quotation of the Common Shares.

Outstanding Options

The following table summaries the number of options granted to NEOs that are outstanding as at the end of the most recently completed financial year:

	Option-based Awards			
Name	**Number of securities underlying unexercised options**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**
Alexander Fernandes	320,000	1.00	March 20, 2013	Nil
	380,000	1.00	May 16, 2013	
Wan Jung	320,000	1.00	January 2, 2013	Nil
	380,000	1.00	May 16, 2013	
Bryan Schmode	30,000	$1.00	February 25, 2013	Nil
	10,000	$1.00	January 2, 2015	
	60,000	$2.00	June 15, 2015	
	100,000	$3.00	April 4, 2016	
Dave Tynan	Nil	N/A	N/A	N/A
Brian Giampaoli	15,000	$1.00	January 2, 2013	Nil

	Value Vested During the Year		
Name	**Option-based awards – Value vested during the year ($)**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value earned during the year ($)**
Alexander Fernandes	Nil	N/A	N/A
Wan Jung	Nil	N/A	N/A
Bryan Schmode	Nil	N/A	N/A
Dave Tynan	Nil	N/A	N/A
Brian Giampaoli	Nil	N/A	N/A

Termination of Employment, Changes in Responsibility and Employment Contracts

Alexander Fernandes has entered into an employment agreement with Avigilon which is for an indefinite term and includes provisions regarding base salary, annual performance bonus, paid vacation time, eligibility for benefits, confidentiality and intellectual property rights, among other things. Mr. Fernandes has agreed to give the Corporation 60 days notice of resignation of his employment. Upon termination of his employment without cause, Mr. Fernandes will be entitled to an amount equal to 18 months' base salary and the Corporation will take steps to continue his coverage under any benefits plan during the notice period or otherwise provide payment in lieu of the Corporation's share of the premium costs of benefits during such period. If Mr. Fernandes' employment is terminated for cause, as set out in his employment agreement, then he will not be entitled to any notice, salary, benefits or pay in lieu of notice after the effective date of such termination. If Mr. Fernandes is terminated by reason of illness or mental or physical disability that renders him incapable of performing his duties, he will be entitled to an amount equal to 18 months' base salary. If Mr. Fernandes is terminated within 12 months after a change of control of Avigilon has occurred, as defined in his employment agreement, then he will be entitled to payment of an amount equal to 18 months' base salary. If Mr. Fernandes had been terminated for change of control as of December 31, 2010, he would have been entitled to a payment of $240,000.

Wan Jung has entered into an employment agreement with Avigilon which is for an indefinite term and includes provisions regarding base salary, annual performance bonus, paid vacation time, eligibility for benefits, confidentiality and intellectual property rights, among other things. Mr. Jung has agreed to give the Corporation 60 days notice of resignation of his employment. Upon termination of his employment without cause, Mr. Jung will be entitled to an amount equal to 18 months' base salary and the Corporation will take steps to continue his coverage under any benefits plan during the notice period or otherwise provide payment in lieu of the Corporation's share of the premium costs of benefits during such period. If Mr. Jung' employment is terminated for cause, as set out in his employment agreement, then he will not be entitled to any notice, salary, benefits or pay in lieu of notice after the effective date of such termination. If Mr. Jung is terminated by reason of illness or mental or physical disability that renders him incapable of performing his duties, he will be entitled to an amount equal to 18 months' base salary. If Mr. Jung is terminated within 12 months after a change of control of Avigilon has occurred, as defined in his employment agreement, then he will be entitled to payment of an amount equal to 18 months' base salary. If Mr. Jung had been terminated for change of control as of December 31, 2010, he would have been entitled to a payment of $225,000.

Under their employment contracts with Avigilon, in the event of a termination of their employment by Avigilon for a reason other than for cause, each of Bryan Schmode and Brian Giampaoli are entitled to the greater of notice or pay in lieu of notice of two week for each year of service up to a maximum of 16 weeks. Each of Mr. Schmode's and Mr. Giampaoli's respective employment agreements contains confidentiality, non-competition and intellectual property assignment provisions that are industry-standard as well as provisions on vacation, annual salary, commission and eligibility for benefits. Dave Tynan ceased to be an employee of Avigilon in October 2010.

Compensation of Directors

The Corporation does not currently pay any compensation to its directors. The Compensation and Corporate Governance Committee will review director compensation annually and recommend the compensation of independent directors for approval by the Board. Avigilon will continue to offer stock options as compensation to independent directors following the Offering. In addition, the Board may award special remuneration to any director undertaking any special services on the Corporation's behalf other than services ordinarily required of a director.

Outstanding Options held by Directors

The following table summaries the number of options granted to non-executive directors that are outstanding as at the end of the most recently completed financial year:

	Option-based Awards			
Name	**Number of securities underlying unexercised options**	**Option exercise price per Common Share ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**
Harry Jaako	100,000 Common Shares	$1.00	June 18, 2013	Nil
Bruce Marginson	100,000 Common Shares	$1.00	June 18, 2013	Nil

Notes:

(1) On August 18, 2011, Murray Tevlin was granted options to purchase 100,000 Common Shares at a price of $4.00 per share with an expiry date of August 18, 2016, in connection with his appointment to the Board.

	Value Vested During the Year		
Name	**Option-based awards –Value vested during the year ($)**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value earned during the year ($)**
Harry Jaako	Nil	N/A	N/A
Bruce Marginson	Nil	N/A	N/A

Notes:

(1) The 100,000 options granted to Murray Tevlin on August 18, 2011 in connection with his appointment to the Board vested immediately upon their grant.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the Corporation's officers or directors, or any of their associates, is currently indebted to the Corporation or has been indebted to the Corporation.

CORPORATE GOVERNANCE

Board of Directors

Independence

Harry Jaako, Bruce Marginson and Murray Tevlin are all considered to be "independent" directors for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. As such, a majority of the Corporation's directors are independent. Alexander Fernandes is the CEO of Avigilon and is therefore not independent. Wan Jung is the CFO of Avigilon and is therefore not independent.

Certain of Avigilon's directors are directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions, as set out below.

Director	Name of Issuer(s)
Wan Jung	Andele Capital Corporation and Javelle Capital Corp.
Harry Jaako	British Columbia Discovery Fund (VCC) Inc., Texada Software Inc., TMX Group Inc. and Vigil Health Solutions Inc.

Avigilon's independent directors will not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In order to facilitate open and candid discussion among independent directors, from time to time as circumstances dictate, the non-independent directors and any representatives of management in attendance at meetings of the Board will be excused.

The Board held three meetings in 2010. Each of Avigilon's directors was present at each Board meeting, except for Mr. Jaako, who attended two out of the three Board meetings held in 2010.

Mandate of the Board of Directors

On September 15, 2011, the Board adopted a written mandate, a copy of which is attached to this Prospectus as Schedule A. The mandate of the Board is to supervise the management of Avigilon's business and affairs and in doing so to act honestly and in good faith with a view to the best interests of Avigilon and to exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances. In accordance with its mandate, the Board will, among other things:

- review and approve strategic plans prepared or updated by management on an annual basis and monitor annual programs in relation to strategic plans;
- review and approve programs and budgets for each fiscal year and monitor progress of programs and budget against approved objectives;
- monitor the integrity of Avigilon's financial statements;
- monitor Avigilon's compliance with legal and regulatory requirements;
- monitor and evaluate the performance of management, establish compensation programs and succession planning and determine compensation of the CEO and senior management;
- oversee management's implementation of environmental, community and health and safety policies and programs;
- assist management in identifying Avigilon's principal business risks; and
- oversee management in implementing the required systems and policies to manage Avigilon's business in accordance with all regulatory requirements and in the best interests of Avigilon's shareholders.

The full text of the Board Mandate is attached to this Prospectus as Schedule A.

Position Descriptions

On September 15, 2011, the Board adopted a written position description for the CEO, which sets out his or her specific duties and responsibilities. Generally, the CEO, who must be appointed by the Board and is directly accountable to the Board, is responsible for management of the day to day operation of the business of Avigilon and has primary accountability for the profitability and growth of Avigilon.

Harry Jaako, an independent director, is lead independent director (the "**Lead Director**"), and is responsible for overseeing the Board in functioning independently of management. The Board has adopted a Lead Director position description that will include the following functions:

- affording independent directors regular opportunities to meet to discuss issues without management present;
- chairing separate meetings or in camera sessions of the independent directors;
- reporting to the chairman of the Board (the "**Chairman**") on the discussions held during the meetings or in camera sessions of the independent directors;
- being available to directors who have concerns that cannot be addressed through the Chairman;
- monitoring and reporting to the Board regarding the effectiveness of the Board, as well as individual members, in discharging its and their responsibilities;
- consulting with the Chairman and, where appropriate, with other Board members, to determine Board and shareholder calendars and agendas;
- facilitating an open flow of information between management and the Board; and
- performing other functions as may be reasonably requested by the Board or the Chairman.

While the Board will not adopt specific position descriptions for the committee chairs, it has adopted charters for each of the committees.

Orientation and Continuing Education

The Corporation provides ad hoc orientation for its directors. The Compensation and Corporate Governance Committee will be responsible for encouraging and facilitating continuing education programs for all directors. The Compensation and Corporate Governance Committee will also ensure that each director understands the role of the Board, its committees and its directors, and the basic procedures and operations of the Board. Board members are also given access to management and other employees and advisors, who can answer any questions that may arise.

Ethical Business Conduct

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") for its directors, officers, employees and consultants, a copy of which will be available under Avigilon's profile at www.sedar.com after the Closing of the Offering.

The Compensation and Corporate Governance Committee will be responsible for assisting the Board in dealing with conflict of interest issues as contemplated by the Code, reviewing and updating the Code periodically, reviewing the system that Management will establish to enforce the Code and reviewing Management's monitoring of Avigilon's compliance with the Code.

Under the Code, members of the Board will be required to disclose any conflict of interest or potential conflict of interest to the entire Board as well as any committee on which they serve. Directors are to excuse themselves from participation in any decision of the Board or a committee thereof in any matter in which there is a conflict of interest or potential conflict of interest. However, if the Board determines that a potential conflict of interest cannot be cured, the individual will be asked to resign from their position with Avigilon. Directors will also be required to comply with the relevant provisions of the *CBCA* regarding conflicts of interest.

The Board is also committed to best practices in making timely and accurate disclosure of all material information and providing fair and equal access to material information. The Board has adopted a written Corporate Disclosure and Trading Policy to set guidelines for Avigilon and its directors, officers, employees and consultants in respect of satisfying the legal and ethical obligations related to the proper and effective disclosure of corporate information and the trading of securities with that information.

Assessments

The Compensation and Corporate Governance Committee will regularly review the time required from non-executive directors to perform their functions and assesses whether they are satisfying those time requirements. It will receive comments from all directors as to the Board's performance, will be responsible for overseeing the execution of a process assessing the effectiveness of the Board and the Board committees as a whole, with particular reference to the Mandate of the Board and appropriate committee charters, where applicable. It will be required to report annually to the Board on such assessments.

Nomination of Directors

The Board does not currently have a nominating committee, and these functions are currently performed by the Board as a whole. Director nominees will be sourced by the Board as a whole in cooperation with Management with a view to the expertise and experience of the current members.

Committees of the Board of Directors

The Board currently has two standing committees, namely the audit committee (the "**Audit Committee**") and the Compensation and Corporate Governance Committee. On September 15, 2011, the Board reconstituted its previous two committees, renaming the former "Compensation Committee" the "Compensation and Corporate Governance Committee, and adopted new charters for such committees, which are outlined below.

Audit Committee

The Audit Committee will meet with the CEO and the independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls and procedures and the audit procedures and audit plans. The Audit Committee will also recommend to the Board the auditors to be appointed, subject to shareholder approval. In addition, the Audit Committee will review and recommend to the Board pre-approval policies and procedures for non-audit services and approval of the annual financial statements, the annual report and certain other documents required by regulatory authorities.

The Audit Committee is composed of Bruce Marginson (chair), Harry Jaako and Murray Tevlin, all of whom are expected to be independent of Avigilon and financially literate as such terms are defined in NI 52-110.

The chair of the Audit Committee will be generally responsible for overseeing the Audit Committee in its responsibilities as outlined in the Audit Committee Charter. The chair's duties and responsibilities will include presiding at each meeting of the Audit Committee, referring specific matters to the Board in the case of a deadlock on any matter or vote, receiving and responding to all requests for information from Avigilon or the independent auditors, leading the Audit Committee in discharging its tasks and reporting to the Board on the activities of the Audit Committee.

The full text of the charter adopted by the Board for the Audit Committee is attached to this Prospectus as Schedule B.

Relevant Education and Experience

Please see the profiles of the members of the Audit Committee under the section "Directors and Executive Officers" for information on their education and experience related to membership on the Audit Committee.

External Auditor Service Fees

The following table indicates the aggregate fees billed by Deloitte & Touche LLP for the year ended December 31, 2010 and by Davidson & Company LLP for the year ended December 31, 2009:

	2010 ($)	**2009 ($)**
Audit Fees	60,000	80,000
Audit Related Fees	—	3,500
Tax Fees	7,500	6,000
All Other Fees	—	—
Total	67,500	89,500

Compensation and Corporate Governance Committee

The main responsibility of the Compensation and Corporate Governance Committee will be to discharge the Board's responsibilities relating to compensation and benefits of the executive officers and directors of Avigilon. The Board has adopted a written Compensation and Corporate Governance Committee Charter which provides that the Compensation Committee is responsible for:

- evaluating the CEO's performance and setting the CEO's compensation level based on that performance;
- reviewing and approving on an annual basis the adequacy and form of compensation and benefits of all other executive officers and directors and making recommendations to the Board in that regard;
- making recommendations to the Board with respect to Avigilon's incentive compensation and equity-based plans and determining the recipients of, and nature and size of share compensation awards, bonuses and inducement grants;
- developing and recommending to the Board corporate governance guidelines;
- reviewing the performance of the Board, Board members, Board committees and management; and
- identifying individuals qualified to become Board and Board committee members and recommending such nominees to the Board for election or appointment.

The Compensation and Corporate Governance Committee is composed of Murray Tevlin (chair), Bruce Marginson and Harry Jaako, all of whom are independent directors. The CEO may not be present during the Compensation and Corporate Governance Committee's voting or deliberations.

EXISTING SHAREHOLDER ARRANGEMENTS

The Selling Shareholders have agreed to indemnify Avigilon and the Underwriters (and each of their respective affiliates, associates, directors, officers, employees, partners, agents, advisors and shareholders) from and against all liabilities, claims and losses resulting from any misrepresentation in respect of any information or statements or omissions relating solely to the Selling Shareholders that was provided by the Selling Shareholders (the "**Selling Shareholder Information**"). Avigilon has agreed to indemnify the Selling Shareholders (and each of their respective affiliates, associates, directors, officers, employees, partners, agents, advisors and shareholders) from and against all liabilities, claims and losses resulting from any misrepresentation in respect of any information or statements or omissions in this Prospectus other than those relating solely to the Selling Shareholder Information. The Selling Shareholders have also agreed to provide other standard indemnifications, including, without limitation, in respect of the breach of any representation, warranty or covenant of the Selling Shareholders contained in the Underwriting Agreement or any related document or agreement. The representations and warranties of the Selling Shareholders in the Underwriting Agreement survive for a period of two years. Any liability of the Selling Shareholders under the Underwriting Agreement will be limited to the amount of the gross proceeds received by the Selling Shareholders from the sale of Offered Shares under this Prospectus, and will be allocated among the Selling Shareholders proportionately based on the number of Offered Shares sold by the Selling Shareholders pursuant to this Prospectus.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement among Avigilon, the Selling Shareholders and the Underwriters, Avigilon has agreed to sell ● Offered Shares and the Selling Shareholders have agreed to sell an aggregate of ● Offered Shares, and the Underwriters have agreed severally to purchase, as principals, on the Closing Date, subject to the terms and conditions stated therein, all but not less than all of the Offered Shares offered hereby at a price of $ ● per Offered Share payable in cash against delivery of the share certificates evidencing the Offered Shares. The Offering Price has been determined by negotiation between Avigilon and the Underwriters.

In consideration for their services in connection with the Offering, Avigilon and the Selling Shareholders have agreed to pay the Underwriters the Underwriters' Fee, being an aggregate fee of $ ● , or $ ● per Offered Share. The Underwriters' Fee will be paid proportionately by Avigilon and the Selling Shareholders based on their respective number of Offered Shares sold by each of them pursuant to the Offering. The Underwriters may offer selling group participation to other registered dealers that are satisfactory to Avigilon, acting reasonably, with compensation to be negotiated between the Underwriters and such selling group participants, but at no additional cost to Avigilon.

The Corporation and the Selling Shareholders have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at the sole discretion of the Underwriters, for a period ending 30 days after the Closing of the Offering, to purchase up to ● Over-Allotment Shares, with ● Over-Allotment Shares being sold by the Corporation and ● Over-Allotment Shares being sold by the Selling Shareholders on a pro-rata basis, at a price of $ ● per Over-Allotment Share to cover over-allotments and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total Price to the Public, the Underwriters' Fee, the Net Proceeds to Avigilon and the Net Proceeds to the Selling Shareholders will be $ ● , $ ● , $ ● and $ ● , respectively. This Prospectus qualifies the issuance of the Over-Allotment Option and the distribution of the Over-Allotment Shares. A purchaser who acquires Over-Allotment Shares forming part of the Over-Allotment Option acquires such Over-Allotment Shares under this Prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Avigilon and the Selling Shareholders have each agreed to indemnify the Underwriters and their subsidiaries, affiliates and the directors, officers, employees, agents and shareholders thereof against certain liabilities or to contribute to payments that the Underwriters may be required to make in respect thereof.

The Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Locked-up Shareholders as well as the Selling Shareholders have entered into lock-up agreements with the Underwriters. The lock-up agreements entered into by the Selling Shareholders provide that, subject to certain exceptions including in connection with the Secondary Offering, the Selling Shareholders may not sell Common Shares or securities convertible or exchangeable into Common Shares (or announce any intention to do so) for the period commencing on the Closing Date and ending on the date that is 180 days after the Closing Date. The lock-up agreements entered into by the other Locked-up Shareholders contain similar lock-up restrictions to those applicable to the Selling Shareholders but the lock-up will only apply in respect of 80% of the Common Shares held by such individuals as of the Closing Date and will not apply in respect of any Offered Shares acquired by such individuals pursuant to the Offering. In addition to the foregoing, Avigilon has agreed in the Underwriting Agreement that it will not sell or issue, or negotiate to enter into any agreement to sell or issue, securities of Avigilon for the 180 day period immediately following the Closing of the Offering, subject to certain exceptions.

The several obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of their evaluation of the state of the financial markets and may also be terminated if certain specific events occur. The Underwriters are, however, severally obligated to take up and pay for all the Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement.

Avigilon has applied to list the securities distributed under this Prospectus on the TSX. Listing will be subject to Avigilon fulfilling all of the listing requirements of the TSX.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States. The Underwriters have agreed that they (or the U.S. affiliate of one or more of the Underwriters which conducts U.S. offers and sales) will not offer or sell the Offered Shares within the United States except in accordance with exemptions from the registration requirements under the U.S. Securities Act and as permitted by the Underwriting Agreement. The Underwriting Agreement permits (i) the Underwriters to offer and resell the Offered Shares that they have acquired pursuant to the Underwriting Agreement in the United States to persons who are "qualified institutional buyers", as such term is defined in Rule 144A under the U.S. Securities Act, where such offers and sales are made in compliance with Rule 144A under the U.S. Securities Act and applicable state securities laws, and (ii) the Underwriters to offer the Offered Shares for sale in the United States directly by Avigilon to "accredited investors" as defined in Rule 501(a) of Regulation D under the U.S. Securities Act on a substituted purchaser basis in compliance with Rule 506 of Regulation D under the U.S. Securities Act and applicable state securities laws. The Underwriting Agreement will provide that the Underwriters may offer and sell the Offered Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. The Underwriting Agreement will also provide that the Offered Shares held by the Selling Shareholders will only be sold outside of the United States in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of securities within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from such registration requirements.

RISK FACTORS

An investment in the Offered Shares should be considered a highly speculative investment. Potential investors should carefully review the following factors together with the other information contained in this Prospectus before making an investment decision.

Speculative Nature of Investment

An investment in the Offered Shares should be considered highly speculative because of the proposed nature of Avigilon's business.

Limited Operating History

Avigilon commenced operations in 2004 and accordingly has a limited history of operations and earnings and limited assets. Avigilon is subject to all of the risks inherent in the maintenance of a developing business. The Corporation's future earnings are dependent upon the ability to develop and market Avigilon's products and services. There is no assurance that Avigilon will grow and continue to be profitable.

New Product Development

There can be no assurance that Avigilon will be successful in identifying, the design, manufacturing and marketing of new products or enhancing its existing product lines. If that happens, a risk exists that other competing products might be launched and capture a significant part of the market Avigilon targets.

No assurance can be given that additional technologies and prototypes can be developed within a reasonable development schedule, if at all. There can be no assurance that Avigilon will have sufficient economic or human resources to complete such development in a timely manner, or at all, or that it will enter into economically reasonable arrangements for the manufacture of such products by third parties.

Rapid Technological Advancement

Avigilon's business is one of constant evolution, rapidly changing technology and increasingly sophisticated customer requirements. The introduction of products utilizing new technology and the emergence of new industry standards may render Avigilon's existing products obsolete and unmarketable and may exert price pressures on existing products. Avigilon must be able to anticipate and react quickly to changes in technology or in the marketplace and develop new and enhanced products to meet the demands of Avigilon's existing and potential customers. If Avigilon is unable to develop products that are competitive in technology and price and that meet end-user needs, it could have a material adverse effect on Avigilon's business, financial condition or results of operations.

Investment in Research and Development

The Corporation re-invests a large percentage of its revenue in research and development. Avigilon's investment in its current research and development efforts may not provide a sufficient, timely return. The development of the Corporation's products is a costly, complex and time-consuming process, and the investment in product development often involves a long wait until a return is achieved on such an investment. Avigilon makes and will continue to make significant investments in product and software research and development. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through Avigilon's research and development efforts, sufficient support from Avigilon's sales channel integrators/dealers and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may materially adversely affect Avigilon's operating results if they are not offset by revenue increases. Management believes that Avigilon must continue to dedicate a significant amount of resources to its research and development efforts in order to maintain the Corporation's competitive position. However, significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable.

Competition

The markets in which Avigilon competes and will compete are intensely competitive and rapidly changing. To maintain or enhance its competitive position, Avigilon must create the proper infrastructure in order to service and support its customers and also continue its development.

Many of Avigilon's competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater name recognition and a larger installed customer base. As the video surveillance market develops, a number of companies with greater resources could attempt to increase their presence in such market by acquiring or forming strategic alliances with the Corporation's competitors or business partners.

Many of Avigilon's competitors are also divisions or subsidiaries of larger enterprises, many of which also focus on the manufacturer and sale of components or mass-market products. Some competitors have the ability to provide an integrated security solution to an end user at a price that may render Avigilon's products effectively uncompetitive. The Corporation may be required to reduce its prices in the future or offer other favourable incentives in order to recapture or maintain its market share or to sell new products and services, and any such reduction in price may have a material adverse effect on Avigilon's profit margins and operating results.

Avigilon's success will depend significantly on Management's ability to adapt to these competing forces, to develop more advanced products more rapidly and less expensively than the Corporation's competitors, and to educate potential customers as to the benefits of using Avigilon's products and services. Avigilon's future and existing competitors could introduce products with superior features, scalability and functionality at lower prices than Avigilon's products and could also bundle existing or new products with other more established products in order to compete with the Corporation. Management expects additional competition from other established and emerging companies. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could cause a material adverse effect to Avigilon's business. Avigilon may not be able to compete successfully against current and future competitors, and the failure to do so would harm Avigilon's business.

There are no assurances that competitive products or competing technology or security solutions will not render Avigilon's products obsolete or non-competitive or competitive only in certain markets. Avigilon's strategies to mitigate these issues may prove to be ineffective.

Software Defects

Avigilon's software is highly complex and sophisticated and, from time to time, may contain design defects, security vulnerabilities or software "bugs" or failures that are difficult to detect and correct. Errors or defects may be found in software after commercial implementation and Avigilon may be unable to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and defects in Avigilon's software could result in loss of, or delay in, market acceptance of the Corporation's software, and correcting such errors and failures in its software could require significant expenditure of capital. Avigilon typically provides warranties on its products and the failure of Avigilon's products to operate as described may cause loss of customers, damage to the Corporation's reputation for delivering high-quality products, delay in or loss of market acceptance, additional warranty expenses or costs associated with product recall. The consequences of such errors, failures and other defects and claims could have a material adverse effect on Avigilon's business, financial condition or results of operations.

Suppliers

Some of the firms from whom the Corporation purchases components, including cameras, micro-electronics and lenses, are direct or indirect competitors. Avigilon's ability to compete may be adversely affected were those suppliers to restrict the supply or increase the cost of the components sold to the Corporation, develop products in competition with the Corporation or form collaborative efforts with other competitors.

Some of the components required to produce Avigilon's products are custom made or are manufactured by a small number of suppliers. Avigilon has a supply chain management system in place and tries to maintain a stockpile of such higher risk components based on the Corporation's forecasted need. However, Management may inaccurately estimate the amounts required. Any interruption in supply of these higher risk components, or Avigilon's inability to re-source its supply from another supplier or re-design its products to preclude the need for such components when and if needed, could have a material adverse effect on Avigilon's business, financial condition or results of operations.

Reliance on Key Personnel

Avigilon's ongoing success will be dependent upon key personnel, particularly Alexander Fernandes, Wan Jung and Andrew Martz. See "*Directors and Executive Officers*". If the Corporation's business is to expand in the future, Avigilon must hire additional service and administrative personnel and, in particular, individuals skilled in finance and marketing. If Avigilon is unable to hire and retain these employees, its business and results of operations may be adversely affected. Additions of new personnel and departures of existing personnel may disrupt the business and may result in the departure of other employees. The Corporation also depends on the continued service of its key personnel. Avigilon does not have key person life insurance covering any of its personnel; however, it plans to obtain such insurance once the Offering is complete.

Market Acceptance

Avigilon's success will depend upon its current and proposed technologies and products meeting acceptable cost and performance criteria in the marketplace. There can be no assurances that the Corporation's technology and products will meet applicable price or performance objectives or that unanticipated technical, regulatory or other problems will not occur which would result in increased costs or material delays.

Fluctuation of Quarterly Operating Results

The Corporation's revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. Because Avigilon's quarterly revenue could be dependent upon a relatively small number of large orders, even minor variations in the rate and timing of conversion of Avigilon's sales prospects into revenue could cause the Corporation to plan or budget inaccurately, and those variations could cause a material adverse effect to the Corporation's financial results. Delays, reduction in scope or cancellation of customer projects could materially adversely affect Avigilon's business, financial condition and results of operations. Some of the other factors affecting Avigilon's revenue and results, many of which are outside of the Corporation's control, include:

- competitive conditions in the video surveillance industry, including new solutions, product announcements, changes in pricing policy and incentive pricing offered by the Corporation's competitors;

- the Corporation's ability to maintain existing relationships with strategic partners, including sales channel integrators/dealers and OEMs, and to make new ones;
- the contractual terms of orders for the Corporation's products and services, which may delay recognition of revenue; and
- the discretionary nature of the Corporation's customers' purchase and budget cycles and changes in their budgets for, and timing of, purchases.

In light of the foregoing, quarter-to-quarter comparisons of Avigilon's operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results. Reductions in revenue or net income between quarters or Avigilon's failure to achieve expected quarterly earnings per share could cause the market price of the Corporation's Common Shares to decline or have a material adverse effect on Avigilon's business, financial condition or results of operations.

Failure to Succeed in Promoting, Strengthening and Continuing to Establish the Avigilon Brand

Avigilon may fail to promote, strengthen and continue to establish the Avigilon brand, which could prevent the Corporation from acquiring new customers, increasing market share and increasing revenues.

Ability to Achieve and Manage Growth

The growth of Avigilon's operations may place a strain on managerial, financial and human resources. Avigilon's ability to continue its rate of growth will depend on a number of factors, including the availability of working capital, existing and emerging competition, the ability to maintain sufficient profit margins and to recruit and train additional qualified personnel, both with respect to sales and product development, the ability to maintain and expand its network of sales channel integrators/dealers to increase the Corporation's presence in the marketplace for its products and services, the ability to develop sufficient support capacity for end-users of the Corporation's products and the ability to identify and successfully integrate acquisitions of other companies or technology.

Failure to Expand

Avigilon may not be able to expand into international market segments in a cost-effective or timely manner, may require significant additional expenses and development and operational resources and may strain management, financial and operational resources. The lack of market acceptance by such vertical markets or the Corporation's inability to generate satisfactory revenues from such markets may have a material adverse effect on Avigilon's business, financial condition or results of operations.

Intellectual Property

Avigilon's success depends in part on its ability to protect its intellectual property rights. Avigilon relies on various intellectual property protections, including patents, copyrights, trade-marks, trade secret laws, know how and contractual provisions, to preserve its intellectual property rights. The trademark and patent position of companies generally is highly uncertain and involves complex legal and factual questions. Any trademark or patent may be challenged, invalidated or circumvented, or may not provide sufficient competitive advantage. Despite any precautions Avigilon might take, it may be possible for third parties to obtain and use Avigilon's intellectual property without Avigilon's authorization. Policing unauthorized use of intellectual property is difficult and some foreign laws, in countries in which Avigilon intends to market its products, do not protect proprietary rights to the same extent as the laws of Canada, the United States or the United Kingdom.

The Corporation regards the non-patented and non-copyright technology and know-how related to its products as proprietary trade secrets and attempts to protect them with non-disclosure agreements and confidentiality provisions in its agreements. Non-disclosure agreements, however, may be difficult to enforce, and, despite the precautions Avigilon has taken, it may be possible for third parties to copy aspects of Avigilon's products or, without authorization, to obtain and use information which the Corporation regards as proprietary. Furthermore, others may develop technologies that are similar or superior to Avigilon's technology, duplicate or reverse engineer its technology or design around the Corporation's products. There is no absolute assurance that the steps Avigilon takes to protect its technology will prevent misappropriation or infringement.

To protect its intellectual property, the Corporation may become involved in litigation, which could result in substantial expenses, divert the attention of Management, cause significant delays, materially disrupt the conduct of Avigilon's business or cause a material adverse effect on Avigilon's business, financial condition or results of operations.

Intellectual Property Infringement

Other companies may claim that Avigilon infringes their intellectual property, which could materially increase costs and materially harm the Corporation's ability to generate future revenue and profits. Although Management does not believe that Avigilon's products infringe on the rights of third parties, third parties may assert infringement claims against the Corporation in the future. Although most of Avigilon's technology is proprietary in nature, third parties may assert infringement claims against the Corporation in the future. Any such assertion may result in litigation or may require the Corporation to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. Alternatively, Avigilon may be required to re-design those products that use allegedly infringing technology, which may be costly or time-consuming, or make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products. In addition, such litigation could be disruptive to Avigilon's ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of the Corporation's defence against those claims or its attempt to license the patents or rework its products to ensure they comply with judicial decisions. Any of the foregoing could have a material adverse effect on Avigilon's business, financial condition or results of operations.

Product Liability

Avigilon faces the inherent business risk of exposure to product liability claims in the use of its products. While the Corporation will continue to attempt to take appropriate precautions, there can be no assurance that Avigilon will avoid significant product liability exposure. There can be no assurance that adequate insurance coverage for future commercial activities will be available at all, or at acceptable cost, or that a product liability claim would not materially adversely affect Avigilon's business or financial condition.

Conflicts

Certain of the Corporation's directors may be engaged in other activities, on their own behalf and on behalf of other companies, and situations may arise where the directors and officers, through the other companies in which they are involved, may be in competition with the Corporation. Conflicts of interest, if any, that arise will be subject to and governed by procedures prescribed by the CBCA, which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the CBCA.

Barriers to Entry

There are comparatively few barriers to entry to provide the products and services such as those offered by Avigilon, suggesting that commercial pressures may arise from growth in the number of competing services. The Corporation's ability to maintain its anticipated market share cannot be assured, and a loss of anticipated market share could result in a material adverse effect on Avigilon's business, financial condition or results of operations.

Exchange Rates

Avigilon maintains its accounts in Canadian dollars. Avigilon UK maintains its accounts in GBP. A portion of Avigilon's revenue and expenditures are in foreign currencies, including GBP, USD, EUR and AED, and therefore, Avigilon is subject to foreign currency fluctuations which may, from time to time, impact the Corporation's financial position and performance. Avigilon does not engage in an active hedging program, but may do so in the future.

Risk of International Trade

Because a portion of the Corporation's purchases and sales are made internationally, the Corporation is subject to numerous risks, including shipping delays, political or economic instability, labour strikes and import duties and trade restrictions. Any of the foregoing could have a material adverse effect on Avigilon's business, financial condition or results of operations.

No Long Term Contracts and Significant Customers

Avigilon has no long term contracts or significant customers, and therefore, no assured sources of revenue.

Reliance on Vertical Markets

Avigilon intends build its business in vertical markets. To the extent that Avigilon is successful in penetrating such markets, there is a risk that the Corporation's success will attract major players in the security market to such markets, which may have the effect of driving down margins and revenues.

Market for Securities

There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell Offered Shares purchased under this Prospectus. There can be no assurance that an active trading market will develop for the Common Shares following the Closing, or if developed, that such a market will be sustained at the price level of the Offering. The Offering Price was determined by negotiations between Avigilon and the Underwriters and may bear no relationship to the price that will prevail in a public market.

Use of Proceeds of the Treasury Offering

Avigilon currently intends to allocate the net proceeds of the Treasury Offering as described under "*Use of Proceeds*" in this Prospectus. However, Management will have discretion in the actual application of the net proceeds and may elect to re-allocate the net proceeds if Management believes it would be in the Corporation's best interest to do so. The failure by Management to apply these funds effectively could have a material adverse effect on Avigilon's business, financial condition or results of operations.

Additional Regulatory Burden

Prior to the Offering, the Corporation has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSX. Management is working with Avigilon's legal, accounting and financial advisors to identify those areas in which changes should be made to the Corporation's financial management control systems to manage its obligations as a public company. These areas include corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. The Corporation has made, and will continue to make, changes in these and other areas, including its internal controls over financial reporting. However, Avigilon cannot assure purchasers of Offered Shares that these and other measures that the Corporation may take will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for the Corporation and will require the time and attention of management. Avigilon cannot predict the amount of the additional costs that it may incur, the timing of such costs or the impact that Management's attention to these matters will have on Avigilon's business.

Need for Future Financings

The future development of the Corporation's interests may require additional financing, and there are no assurances that such financing will be available or, if available, be available upon terms acceptable to the Corporation.

Future Sales May Cause Dilution

Avigilon may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) to finance its operations or expansion. The Corporation cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities or the perception that such sales could occur, may have a material adverse effect on the prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of the voting power and may experience dilution in the Corporation's earnings per share.

Dividends

Avigilon does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Corporation's dividend policy will be reviewed from time to time by the Board in the context of the Corporation's earnings, financial condition and other relevant factors. Until the time that the Corporation does pay dividends, which it may never do, Avigilon's shareholders will not be able to receive a return on their Common Shares unless they sell them. See "*Dividend Policy*".

LEGAL PROCEEDINGS

Avigilon is not aware of any material legal proceedings nor are any such proceedings known by Avigilon to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the Corporation's knowledge, other than disclosed in this Prospectus, no other director, executive officer or any of their respective associates or affiliates has any material interest, direct or indirect, in any transaction within the three years prior to the date of this Prospectus, or any proposed transaction, that has materially affected or will materially affect the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are Deloitte & Touche LLP, located at 2800 – 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P4. The registrar and transfer agent for the Common Shares is Computershare Investor Services Inc. at its principal offices located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 and 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts Avigilon has entered into during the most recently completed financial year, or before the most recently completed financial year that is still in effect, are as follows:

- Underwriting Agreement dated ● , 2011 among Avigilon, the Selling Shareholders and the Underwriters. See "*Plan of Distribution*"; and
- Demand Operating Facility Agreement with The Toronto-Dominion Bank dated May 9, 2011.

Copies of such agreements will be available under Avigilon's profile on SEDAR at www.sedar.com.

PROMOTERS

Alexander Fernandes, Avigilon's President and CEO, and Wan Jung, Avigilon's CFO, may be considered to be promoters of the Corporation within the meaning of the relevant Canadian securities legislation. As of the date of this Prospectus, Mr. Fernandes and Mr. Jung own beneficially, directly or indirectly, or exercise control or direction over 3,190,000 and 1,953,201 Common Shares, respectively, and 475,418 and 363,000 Class A Preferred Shares, respectively, which after the payment of the Class A Dividend and conversion of the Class A Preferred Shares represents ● % and ● %, respectively, of the issued and outstanding Common Shares upon Closing of the Offering.

Each of Mr. Fernandes and Mr. Jung, in their capacities as officers of the Corporation, have received compensation, including options to acquire Common Shares pursuant to the Old Stock Option Plan. In connection with the Closing of the Offering, all of the Class A Preferred Shares owned by Mr. Fernandes and Mr. Jung will be converted into Common Shares, as described elsewhere in this Prospectus. See "*Description of Securities – Automatic Conversion of Class A Preferred Shares*" and "*Executive Compensation – Compensation of Named Executive Officers*".

INTEREST OF EXPERTS

Certain legal matters relating to the distribution of Offered Shares will be passed upon by Fasken Martineau DuMoulin LLP on behalf of Avigilon, Farris, Vaughan, Wills & Murphy LLP on behalf of the Selling Shareholders and Wildeboer Dellelce LLP on behalf of the Underwriters. Upon completion of the Offering, partners and employees at Fasken Martineau DuMoulin LLP, Farris, Vaughan, Wills & Murphy LLP and at Wildeboer Dellelce LLP, each as a group, will beneficially own, directly or indirectly, in the aggregate, less than 1% of the outstanding Common Shares of Avigilon.

Allied Business Intelligence, Inc. reports that it is independent of Avigilon as at the date of the ABI Report.

Avigilon's auditors for the year ended 2010, Deloitte & Touche LLP, report that they are independent of Avigilon in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia as at the date of their audit report.

PURCHASERS' STATUTORY RIGHTS OF RESCISSION

Securities legislation in certain of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if this Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser; provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

FINANCIAL STATEMENTS

The following financial statements of Avigilon are included in this Prospectus:

Consolidated financial statements of

Avigilon Corporation

December 31, 2010

Avigilon Corporation

December 31, 2010

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Independent Auditor's Report

To the Shareholders of Avigilon Corporation

We have audited the accompanying consolidated financial statements of Avigilon Corporation (the "Company"), which comprise the consolidated balance sheets as at December 31, 2010, and the consolidated statements of operations and comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avigilon Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The consolidated balance sheet as at December 31, 2009 and the consolidated statements of operations and comprehensive income and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on March 19, 2010.

As part of our audit of the 2010 consolidated financial statements, we also audited the adjustments described in Note 4 (d) that were applied to amend the 2009 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 consolidated financial statements taken as a whole.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
June 1, 2011

Avigilon Corporation

Consolidated statements of operations and comprehensive income
year ended December 31, 2010

	2010	2009
	$	$ (Restated - Note 4)
Sales	**32,283,927**	16,881,964
Cost of goods sold	**17,713,078**	8,676,219
Gross profit	**14,570,849**	8,205,745
Selling expenses	**6,737,744**	4,502,614
Research and development expenses	**2,348,627**	1,206,363
Amortization	**232,516**	107,037
Administrative expenses	**2,821,778**	2,075,945
Stock-based compensation (Note 8)	**158,805**	161,808
Income from operations	**2,271,379**	151,978
Interest income	**33,914**	34,978
Foreign exchange loss	**(157,138)**	(162,057)
Income before income taxes	**2,148,155**	24,899
Income tax (expense) recovery (Note 4)	**(601,010)**	1,272
Net income and comprehensive income for the year	**1,547,145**	26,171
Deficit, beginning of year	**(10,320,387)**	(10,346,558)
Deficit, end of year	**(8,773,242)**	(10,320,387)
Earnings (loss) per share (Note 8(e))		
Basic	**0.06**	(0.03)
Diluted	**0.05**	(0.03)

See accompanying notes to the consolidated financial statements.

Avigilon Corporation

Consolidated balance sheets
as at December 31, 2010

	2010	2009
	$	$ (Restated - Note 4)
Assets		
Current assets		
Cash	**2,330,100**	2,241,474
Receivables, net of allowance for doubtful accounts (Note 11)	**7,652,921**	4,627,501
Inventories (Note 3)	**5,306,696**	2,652,859
Prepaid expenses	**307,768**	275,536
Research tax credits receivable (Note 4)	**578,873**	987,645
Future income taxes (Note 4)	**1,125,000**	601,010
	17,301,358	11,386,025
Future income taxes (Note 4)	**874,133**	1,861,288
Property and equipment (Note 5)	**1,494,939**	327,554
Intangible assets (Note 6)	**27,262**	2,100
Deposits	**25,953**	29,552
	19,723,645	13,606,519
Liabilities		
Current liabilities		
Bank loan (Note 7)	**1,760,000**	—
Accounts payable and accrued liabilities	**4,643,224**	2,575,742
	6,403,224	2,575,742
Shareholders' equity		
Capital stock (Note 8)	**9,475,603**	8,975,603
Contributed surplus (Note 8)	**3,635,064**	3,476,259
Preferred shares (Note 8)	**8,982,996**	8,899,302
Deficit	**(8,773,242)**	(10,320,387)
	13,320,421	11,030,777
	19,723,645	13,606,519

Commitments (Note 9)

On behalf of the Board

(Signed) Alexander Fernandes

Director

(Signed) Wan Jung

Director

See accompanying notes to the consolidated financial statements.

Avigilon Corporation

Consolidated statements of cash flows
year ended December 31, 2010

	2010	2009
	$	$ (Restated - Note 4)
Operating activities		
Net income for the year	**1,547,145**	26,171
Items not involving cash		
Amortization	**343,760**	107,037
Stock-based compensation	**158,805**	161,808
Unrealized foreign exchange loss	**16,016**	—
Income tax expense (recovery)	**601,011**	(1,272)
	2,666,737	293,744
Change in non-cash working capital		
Increase in receivables	**(3,025,420)**	(2,760,544)
Increase in inventories	**(2,653,837)**	(859,745)
(Increase) decrease in prepaid expenses	**(32,232)**	5,945
Decrease (increase) in research tax credits receivable	**408,772**	(298,164)
Increase in accounts payable and accrued liabilities	**2,067,482**	1,139,665
	(568,498)	(2,479,099)
Investing activities		
Purchase of property and equipment	**(1,488,823)**	(102,656)
Purchase of intangible assets	**(47,484)**	—
Deposits	**3,599**	(7,460)
	(1,532,708)	(110,116)
Financing activities		
Proceeds from bank loan	**1,760,000**	—
Issuance of common shares	**500,000**	—
Issuance of preferred shares	**—**	3,032,426
Share issuance costs	**—**	(54,794)
	2,260,000	2,977,632
Effect of foreign exchange rate changes on cash	**(70,168)**	—
Net cash inflow	**88,626**	388,417
Cash, beginning of year	**2,241,474**	1,853,057
Cash, end of year	**2,330,100**	2,241,474

Supplemental cash flow information (Note 10)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Avigilon Corporation (the "Company") is incorporated under the Canadian Business Corporations Act and its principal business is the developing, manufacturing, marketing and sales of high definition surveillance systems.

2. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and the Company's wholly-owned subsidiaries, Omnikon Technologies Ltd, and Avigilon U.K. Limited. All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year.

Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances, and are subject to review on a periodic basis and adjusted as necessary. Significant estimates include the net realizable value of inventories and the allocation of cost to inventories, the estimated useful lives of assets, the estimated warranty provision, the recoverability of tangible and intangible assets, the value of research tax credits receivable, the value of future income tax assets and liabilities, the value of stock options granted, the value of inventories exchanged for research and development services, the estimated average market price and any future contingencies and commitments. As the estimate process is inherently uncertain, actual future outcomes could differ from current estimates and assumptions, potentially having material effects on future financial statements.

(c) Cash

Cash is comprised of cash on hand, demand deposits, and highly liquid interest bearing bank accounts and all have a maturity date within 90 days of the purchase date.

(d) Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories includes all expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes materials, labor and an appropriate share of overhead based on normal operating capacity. Costs of raw materials are based on a weighted average per unit basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In establishing the appropriate allowance for inventory obsolescence, management estimates the likelihood that inventories carrying values will be affected by changes in market demand, technology and design, which would make inventories on hand obsolete.

(e) Property and equipment

Property and equipment is recorded at cost and amortized using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Demo equipment	3 years
Furniture and equipment	8 years
Leasehold improvements	Term of the lease
Manufacturing equipment	8 years
Tooling	3 years

(f) Intangible assets

Intangible assets are recorded at cost and amortized using the straight-line method over the following estimated useful life:

Computer software	2 years

(g) Research tax credits

Research tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency. Should any part of these claims be adjusted by Canada Revenue Agency, the research tax credit receivable and statements of operations and deficit will be adjusted accordingly.

2. Significant accounting policies (continued)

(h) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

(i) Research and development

Research and development costs relating to the development of potential digital imaging products are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral and amortization. Deferred research and development costs are recorded at cost and are amortized upon commencement of commercial sales on a straight-line basis over a period not exceeding three years. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each report date. Research and development costs are reduced by related government assistance and grants.

(j) Foreign currency translation

(i) The financial statements of the Company's fully integrated subsidiaries are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rates of exchange in effect at the date the transactions are recognized in income. Realized gains and losses and currency translation adjustments are included in expenses.

(ii) The Canadian dollar is the reporting currency of the Company. Foreign currency transactions are translated using the exchange rates prevailing at the rate of exchange in effect at the date the transactions are recognized in income. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in expenses.

(k) Revenue recognition

Revenue is derived primarily from the sale of surveillance systems which typically includes hardware, software and warranty. Occasionally, revenue can be derived from training and installation. These services are set forth separately in the contractual arrangements with the customer such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of services.

The Company's multiple-element sales arrangements include arrangements where surveillance systems and free telephone support are sold together. The Company has established that the cost of delivering the telephone support is minimal and therefore has recognized all associated revenue as noted below.

The Company recognizes revenue from the sales of surveillance systems upon the later of transfer of title or upon shipment of the hardware product to the customer so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

(l) Stock-based compensation

The Company grants stock options to officers, directors, and employees. The plan is classified as an equity settled stock-based compensation plan. Accordingly, the fair value of stock options is expensed with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant and the fair value of options which vest in the future is recognized on a straight-line basis over the vesting period. Upon exercise of options, any consideration received, together with the related portion of contributed surplus, is credited to share capital. The Company accrues compensation costs based on the assumption that all instruments subject only to a service requirement will vest. The effect of actual forfeitures is recognized as they occur.

The fair value of stock options granted is determined using the Black-Scholes option pricing model. The Black-Scholes option valuation model requires the input of subjective assumptions. Changes in these assumptions can materially affect the fair value estimate.

(m) Income per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, preferred shares and similar instruments. Under this method the dilutive effect on income per share is recognized on the use of the proceeds that could be obtained upon exercise of options, preferred shares and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

2. Significant accounting policies (continued)

(m) Income per share (continued)

Basic income per share is calculated using the weighted average number of shares outstanding during the year and does not include outstanding options and preferred shares.

(n) Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to unused tax losses, income tax reductions and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(o) Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. All financial instruments and derivatives are initially measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Cash is subsequently measured at fair value.

The Company classifies its cash as held-for-trading, and receivables as loans and receivables and its bank loan and accounts payable as other financial liabilities.

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 Company has included required disclosure in Note 11 to these financial statements.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

(p) Recent accounting pronouncements

The Company will adopt the following accounting pronouncements:

Business Combinations, Non-Controlling Interest and Consolidated Financial Statements

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Both sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Adoption of future accounting standards

In December 2009, the CICA issued Emerging Issues Committee Abstract ("EIC") 175, *Multiple Deliverable Revenue Arrangements*, replacing EIC 142, *Revenue Arrangements with Multiple Deliverables*. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with ASC 985-605 (formerly Financial Accounting Standards Board Statement of Position 97-2), *Software Revenue Recognition*, as amended by Accounting Standards Update 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the

2. Significant accounting policies (continued)

(p) Recent accounting pronouncements (continued)

consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Financial Instruments – Recognition and Measurement

In June 2009, the CICA amended Section 3855, *Financial Instruments – Recognition and Measurement*, to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host contract at initial recognition for accounting purposes. The amendments are applicable for the fiscal year beginning January 1, 2011. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Section 1625, *Comprehensive Revaluation of Assets and Liabilities*. This section has been amended as a result of issuing Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. If the Company adopts this section for a fiscal year beginning before January 1, 2011, it also adopts Section 1582. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

(q) Future accounting changes

International Financial Reporting Standards

The Company will be adopting International Financial Reporting Standards (“IFRS”) for financial years beginning on or after January 1, 2011, with its first annual report under IFRS for the year ending December 31, 2011. Comparative information in respect of the 2010 financial year will be provided.

3. Inventories

Inventories consist of the following:

	2010	2009
	$	$
Raw materials	**4,650,800**	2,068,518
Finished goods	**655,896**	584,341
	5,306,696	2,652,859
Write-down of inventories in the year	**80,877**	26,630
Reversal of write-downs in the year	**—**	288,392

During 2010, $15,139,010 (2009 - $8,143,198) of inventories were expensed in cost of goods sold.

4. Research tax credits receivable and income taxes

(a) Research tax credits

The Company’s claims for scientific research and development expenditures as at December 31, 2010 have resulted in research tax credits refundable totaling $578,873 (2009 - $987,645). Should any part of these claims be adjusted by Canada Revenue Agency, the investment tax credit receivable and statement of operations and deficit will be adjusted accordingly.

4. Research tax credits receivable and income taxes (continued)

(b) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
	$	$ (Restated)
Income before income taxes	2,148,155	24,899
Combined federal and provincial income tax rate	28.5%	30.0%
Tax recovery at statutory rate	612,224	7,470
Permanent differences	69,782	64,871
Foreign losses tax effected at lower rates	(11,364)	(8,274)
Revaluation of future income tax liability to reflect future statutory rates	(83,755)	(12,057)
Changes in prior year estimates	14,123	(53,282)
Total income tax expense (recovery)	601,010	(1,272)
Comprised of:		
Current income tax expense	50,585	—
Future income tax expense (recovery)	550,425	(1,272)
	601,010	(1,272)

(c) The tax effect of the significant temporary differences and loss carryforwards that comprise future income tax are as follows:

	2010	2009
	$	$ (Restated)
Future tax assets (liabilities)		
Non-capital losses available for future periods	856,932	1,458,130
Scientific research and experimental development expenditures	973,968	867,889
Share issuance costs	103,535	53,666
	1,934,435	2,379,685
Investment tax credits	115,203	111,647
Property, plant and equipment	(43,244)	(13,662)
Warranty and other	(7,261)	(15,372)
Net future tax assets	1,999,133	2,462,298
Breakdown of future income taxes		
Current	1,125,000	601,010
Long-term	874,133	1,861,288
	1,999,133	2,462,298

The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and during the loss carryforward periods. Management considers the scheduled reversal of future tax assets and liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carryforward period.

The Company has approximately $3,427,728 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, these losses begin to expire in 2015 through 2030. Subject to certain restrictions, the Company has scientific research expenditures of approximately $4,446,902 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these tax assets have been recognized in these financial statements to the extent these assets are more likely than not to be realized.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net income or loss, tax assets and operating loss carryforwards.

(d) Restatement of previously issued financial statements

Two errors were noted in the future income tax asset calculation related to 2008 and 2009, the corrections of which resulted in an increase in deficit of $620,253, a reduction of income tax expense of $332,359, a reduction in the long-term FIT asset of $202,429, and increase to preferred shares of $85,465.

4. Research tax credits receivable and income taxes (continued)

(d) Restatement of previously issued financial statements (continued)

As a result, the Company has restated its consolidated balance sheet as at December 31, 2009 as well as its consolidated statements of operations and comprehensive income and cash flows for the year then ended.

The following table presents the impact of the restatement on the Company's previously reported consolidated financial statements for the year ended December 31, 2009:

	As previously reported	Adjustments	Restated
	$	$	$
Net (loss) income	(306,188)	332,359	26,171
Basic and diluted loss per share	(0.02)	(0.01)	(0.03)
Non-current future income tax asset	1,207,461	(202,429)	1,005,032
Preferred shares	8,813,837	85,465	8,899,302

5. Property and equipment

	2010		
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Manufacturing equipment	**734,296**	**78,966**	**655,330**
Computer equipment	**572,216**	**463,779**	**108,437**
Furniture and equipment	**542,829**	**257,023**	**285,806**
Leasehold improvements	**332,630**	**107,772**	**224,858**
Demo Equipment	**234,917**	**78,306**	**156,611**
Tooling	**90,145**	**26,248**	**63,897**
	2,507,033	**1,012,094**	**1,494,939**

During the year, $111,244 (2009 – $Nil) of amortization was allocated to cost of goods sold.

	2009		
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer equipment	476,931	415,972	60,959
Furniture and equipment	388,776	200,243	188,533
Leasehold improvements	82,375	74,438	7,937
Deposits on equipment	70,125	—	70,125
	1,018,207	690,653	327,554

6. Intangible assets

	2010		
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Computer software	452,282	425,020	27,262

	2009		
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer software	404,798	402,698	2,100

7. Bank loan

The Company has a $4 million revolving demand credit facility and is secured by a general security agreement providing a first charge over all assets of the Company. At December 31, 2010, an amount of $1,760,000 was drawn against the credit facility (2009 – $Nil).

The facility bears interest at the bank's prime plus 1.9% per annum for Cdn$ funds and USBR plus 1.9% per annum for US$ funds. Under the terms of the credit facility, the Company must satisfy certain restrictive covenants as to minimum financial ratios. As at December 31, 2010, the Corporation is in compliance with all covenants, obligations and conditions of its credit agreement.

8. Capital stock

Authorized

Unlimited number of common shares, without par value

Unlimited number of Class A, preferred shares, without par value

	Number of shares	Amount	Contributed surplus
		$	$
Common shares issued			
Balance, December 31, 2008	16,998,202	8,975,603	3,314,451
Stock-based compensation	—	—	161,808
Balance, December 31, 2009	16,998,202	8,975,603	3,476,259
Issued for cash	250,000	500,000	—
Stock-based compensation	—	—	158,805
Balance, December 31, 2010	17,248,202	9,475,603	3,635,064
Preferred shares issued			
Balance, December 31, 2008	6,116,213	5,836,205	—
Issued for cash	3,032,426	3,032,426	—
Adjustment (Note 4)	—	85,465	—
Share issue costs	—	(54,794)	—
Balance, December 31, 2009	9,148,639	8,899,302	—
Issued for cash	—	—	—
Future income tax effect on share issuance costs adjustment	—	83,694	—
Share issue costs	—	—	—
Balance, December 31, 2010	9,148,639	8,982,996	—

(a) *Common shares*

During the year ended December 31, 2010, the Company issued 250,000 common shares at $2.00 per share.

(b) *Preferred shares*

On June 17, 2008 the Board of Directors authorized an amendment to the Articles of Incorporation that authorized an unlimited number of Class A preferred shares, without par value. The preferred shares are convertible at the option of the holder into common shares at the rate of one common share for one preferred share at any time. Each preferred share shall automatically convert into common shares without any further action by the Company immediately upon the earlier of either: (i) the closing of a Qualified Initial Public offering, which has a pre-initial public offering market value of at least $50,000,000 and which results in aggregate gross proceeds of at least $15,000,000; (ii) the closing of an acquisition of 100% of the Company shares at a price of at least $5.00 per common share; or (iii) by majority consent (2/3rds) of the preferred shareholders.

There were no preferred shares issued during 2010.

During 2009, the Company issued 3,032,426 of Class A preferred shares at $1.00 each for gross proceeds of $3,032,426. The Company incurred share issuance costs of $54,794.

During 2008, the Company issued 6,116,213 Class A preferred shares at $1.00 each for total proceeds of $6,116,213. The Company incurred share issuance costs of $280,008.

8. Capital stock (continued)

(b) Preferred shares (continued)

The preferred shareholders are entitled to cumulative dividends from the date of issuance at the rate of 6% of the original purchase price. The accumulated dividends are payable in either cash or common shares at the discretion of the Company. As of December 31, 2010, the cumulative dividends totaled $1,193,722 (2009 – $644,804).

(c) Stock options

The Company has a stock option plan in place under which it is authorized to grant up to 5,500,000 options to executive officers and directors, employees and consultants enabling them to acquire the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the fair market value of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

During the year ended December 31, 2010, the Company granted 341,400 (2009 – 232,000) stock options to directors, officers and employees at a weighted average price of $1.43 (2009 – $1.00) per share.

As at December 31, 2010, the following incentive stock options were outstanding:

Number of shares	Exercise price	Expiry period
	$	
3,989,700	1.00	January 1, 2011 to December 31, 2011
114,000	1.00	January 1, 2012 to December 31, 2012
552,000	1.00	January 1, 2013 to December 31, 2013
231,000	1.00	January 1, 2014 to December 31, 2014
150,000	1.00	January 1, 2015 to December 31, 2015
146,400	2.00	January 1, 2015 to December 31, 2015
5,183,100		

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of options	Weighted average exercise price
		$
Outstanding, December 31, 2008	5,244,700	1.00
Options granted	232,000	1.00
Options cancelled	(300,000)	1.00
Outstanding, December 31, 2009	5,176,700	1.00
Options granted	341,400	1.43
Options cancelled	(335,000)	1.00
Outstanding, December 31, 2010	5,183,100	1.03
Number of options exercisable, December 31, 2010	4,851,200	1.00

(d) Stock-based compensation

The following weighted average assumptions were used for the Black-Scholes option valuation of the options granted:

	2010	2009
Risk free interest rate	**2.48%**	2.19%
Expected life of options	**5 years**	5 years
Annualized volatility	**55%**	75%
Dividend rate	**0.00%**	0.00%

The weighted average fair value per option granted during the year was $0.60 (2009 – $0.62). The stock-based compensation expense for the year was $158,805 (2009 – $161,808).

8. Capital stock (continued)

(e) Earnings per share

	2010	2009
	$	$
Net income attributable to shareholders	**1,547,145**	26,171
Dividends on preferred shares	**(548,918)**	(482,001)
Net income (loss) attributable to common shares	**998,227**	(455,830)
Basic weighted-average number of shares outstanding	**17,144,092**	16,998,202
Effect of dilutive securities:		
Preferred shares	**9,148,639**	8,033,348
Stock options	**2,591,550**	2,588,050
Diluted weighted-average number of shares outstanding	**28,884,281**	27,619,600
Net income per common share		
Basic	**0.06**	(0.03)
Diluted	**0.05**	(0.03)

For the years ended December 31, 2010 and 2009, no stock options were excluded from securities because the exercise prices of these options were lower than the estimated average market price of the common shares during the year.

9. Commitments

The Company has obligations under operating leases for its office premises. Minimum annual lease payments, including operating costs, pursuant to the lease agreements, are approximated as follows:

	$
Year ended December 31,	
2011	397,469
2012	196,827
2013	197,545
2014	139,902
2015	11,222
	942,965

10. Supplemental disclosure with respect to cash flows

	2010	2009
	$	$
Cash paid for income taxes	**—**	—
Cash paid for interest	**16,217**	—

The significant non-cash transactions for the year ended December 31, 2010 were the exchange of inventories for research and development services with a fair value of $Nil (2009 – $788,025) and included in prepaid expenses is $Nil (2009 – $71,882) which relates to a reclassification of accounts payable and accrued liabilities.

11. Financial instruments

The Company's financial instruments consist of cash, receivables, bank loan and accounts payable. The fair values of these financial instruments approximate their carrying values because of the short-term nature of these instruments.

The fair values of cash are measured based on Level 1 of the fair value hierarchy.

(a) Credit risk

The Company's principal financial assets are cash, demand deposits and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represents the Company's maximum credit exposure at the balance sheet date.

The credit risk on cash and demand deposits is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

11. Financial instruments (continued)

(a) Credit risk (continued)

The Company is exposed to credit risk with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The amounts disclosed in the consolidated balance sheet are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. The Company mitigates credit risk through standard credit and reference checks.

As at December 31, 2010, the aging of trade receivables were:

	2010	2009
	$	$
Trade		
Current	**5,891,241**	3,445,099
Aged between 61 – 119 days	**877,820**	824,316
Aged greater than 120 days	**547,007**	175,187
Total trade	**7,316,068**	4,444,602
Related company	**57,748**	19,530
Others	**356,103**	186,759
	7,729,919	4,650,890
Allowance for doubtful accounts	**(76,998)**	(23,389)
	7,652,921	4,627,501

Reconciliation of allowance for doubtful accounts:

	2010	2009
	$	$
Balance, beginning of year	**23,389**	—
Increase during the year	**61,087**	23,389
Bad debts recovery during the year	**15,250**	—
Bad debts written off during the year	**(22,728)**	—
Balance, end of year	**76,998**	23,389

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash balance of $2,330,100 and receivables of $7,652,921 to settle current liabilities of $6,403,224. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances and its bank loan is exposed to interest rate risk which bears interest at 1.9% plus the bank prime rate (Note 7).

(ii) Foreign currency risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar, the United States dollar ("U.S.") the Great Britain Pound ("GBP") and the Euro ("EUR") will affect the Company's operating and financial results. The Company has earned a significant portion of its revenue in these currencies and does not enter into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices used in manufacturing. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not enter into contracts to hedge against gains or losses from changes in commodity prices. It is in management's opinion that the Company is not exposed to significant price risk.

11. Financial instruments (continued)

(d) Sensitivity analysis

The fair values of cash, receivables, bank loan and accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature. The Company has limited exposure to changing interest rates.

At December 31, 2010, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, pre-tax income for the year would have been $474,429 higher. Conversely, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

At December 31, 2010, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, pre-tax income for the year would have been $94,653 higher. Conversely, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

At December 31, 2010, if the Canadian dollar had weakened 10% against the Great Britain Pound with all other variables held constant, pre-tax loss for the year would have been $87,053 higher. Conversely, if the Canadian dollar had strengthened 10% against the Great Britain Pound with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

12. Capital risk management

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (Note 9). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its high definition surveillance systems and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is assessing financing alternatives throughout its operating period. The Company is not subject to externally imposed financing restrictions.

13. Segment information

The Company has one operating segment in which it develops manufactures, markets and sells high definition surveillance systems.

The following is a breakdown of revenue by geographic areas based on the customers' locations:

	2010	2009
	$	$
North America	**19,378,029**	12,823,928
International	**12,905,898**	4,058,036
	32,283,927	16,881,964

Avigilon Corporation

Consolidated financial statements

December 31, 2009 and 2008

AUDITORS' REPORT

To the Directors of
Avigilon Corporation

We have audited the consolidated balance sheets of Avigilon Corporation (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, schedules and cash flows for the years then ended. 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 conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

March 19, 2010
(except as to Note 4 which
is as at September 19, 2011)

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Avigilon Corporation

Consolidated Balance Sheets
as at December 31, 2009 and 2008

	2009 (Restated – Note 4)	2008 (Restated – Note 4)
ASSETS		
Current		
Cash	$ 2,241,474	$ 1,853,057
Receivables	4,627,501	1,866,957
Inventories (Note 3)	2,652,859	1,793,114
Prepaid expenses	275,536	288,883
Research tax credits receivable (Note 4)	987,645	689,481
Future income taxes (Note 4)	601,010	—
	11,386,025	6,491,492
Future income taxes (Note 4)	1,861,288	2,443,912
Property and equipment (Note 5)	329,654	334,035
Deposits	29,552	22,092
	$ 13,606,519	$ 9,291,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 2,575,742	$ 1,443,479
Shareholders' equity		
Capital stock (Note 6)	8,975,603	8,975,603
Contributed surplus (Note 6)	3,476,259	3,314,451
Preferred shares (Note 6)	8,899,302	5,904,556
Deficit	(10,320,387)	(10,346,558)
	11,030,777	7,848,052
	$ 13,606,519	$ 9,291,531

Nature and continuance of operations (Note 1)
Commitments (Note 7)
On behalf of the Board:

"Alexander Fernandes" Director *"Wan Jung"* Director

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

Avigilon Corporation

Consolidated Statements of Operations and Deficit
years ended December 31, 2009 and 2008

	2009 (Restated – Note 4)	2008 (Restated – Note 4)
REVENUES		
Sales	$ 16,881,964	$ 5,240,057
COST OF GOODS SOLD (Schedule)	(8,676,219)	(3,074,127)
GROSS PROFIT	8,205,745	2,165,930
SELLING EXPENSES		
Advertising	296,287	183,314
Salaries, benefits and commission	3,263,905	2,011,712
Customer product evaluation	68,876	80,950
Trade shows and travel	873,546	617,046
	(4,502,614)	(2,893,022)
RESEARCH AND DEVELOPMENT EXPENSES		
Research and development costs	2,361,504	1,414,223
Less: research tax credits	(1,155,141)	(668,616)
	(1,206,363)	(745,607)
ADMINISTRATIVE EXPENSES (Schedule)	(2,471,869)	(2,069,303)
Total selling, research and development and administrative expenses	(8,180,846)	(5,707,932)
Income/(loss) before income taxes	24,899	(3,542,002)
Future income tax recovery (Note 4)	1,272	590,435
Net income (loss) for the year	26,171	(2,951,567)
Deficit, beginning of year	(10,346,558)	(7,394,991)
Deficit, end of year	$(10,320,387)	$(10,346,558)
Basic and diluted loss per share	$ (0.00)	$ (0.18)
Weighted average number of common shares	16,998,202	16,849,083

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

Avigilon Corporation

Consolidated Schedules
years ended December 31, 2009 and 2008

	2009	2008
COST OF GOODS SOLD		
Inventories, beginning of year	$ 1,793,114	$ 575,134
Purchases	8,728,534	3,904,547
Labour	319,805	143,218
Freight and delivery	328,830	188,882
Supplies and manufacturing overhead	158,795	55,460
Inventories, end of year	(2,652,859)	(1,793,114)
	$ 8,676,219	$ 3,074,127
ADMINISTRATIVE EXPENSES		
Amortization	$ 107,037	$ 153,062
Foreign exchange (gain) loss	162,057	(35,038)
Insurance and licenses	28,037	12,895
Interest income	(34,978)	(75,103)
Office and miscellaneous	247,892	177,545
Professional fees	302,293	261,369
Rent	279,937	223,719
Salaries and benefits	1,045,125	728,587
Stock-based compensation	161,808	487,085
Telecommunications	119,929	113,492
Travel	52,732	21,690
	$ 2,471,869	$ 2,069,303

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

Avigilon Corporation

Consolidated Statements Of Cash Flows
years ended December 31, 2009 and 2008

	2009 (Restated – Note 4)	2008 (Restated – Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 26,171	$(2,951,567)
Items not affecting cash:		
Amortization	107,037	153,062
Stock-based compensation	161,808	487,085
Future income tax recovery	(1,272)	(590,435)
Changes in non-cash working capital items:		
Increase in receivables	(2,760,544)	(1,739,834)
(Increase) decrease in inventories	(859,745)	(1,217,980)
(Increase) decrease in prepaid expenses	5,945	(191,195)
(Increase) decrease in research tax credits receivable	(298,164)	633,915
Increase in accounts payable and accrued liabilities	1,139,665	1,063,353
Net cash used in operating activities	(2,479,099)	(4,353,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of preferred shares	3,032,426	6,116,213
Share issuance costs	(54,794)	(280,008)
Net cash provided by financing activities	2,977,632	5,836,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(102,656)	(95,859)
Deposits	(7,460)	(1,300)
Net cash used in investing activities	(110,116)	(97,159)
Increase in cash during year	388,417	1,385,450
Cash, beginning of year	1,853,057	467,607
Cash, end of year	$ 2,241,474	$ 1,853,057

Supplemental disclosure with respect to cash flows (Note 8)

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

Notes to the consolidated financial statements
December 31, 2009 and 2008

1. Nature and continuance of operations

Avigilon Corporation (the "Company") is incorporated under the Canadian Business Corporations Act and its principal business is the developing, manufacturing, marketing and sales of high definition surveillance systems.

The Company has accumulated losses since inception of $10,320,387(2008 – $10,346,558) and has working capital of $8,810,283 (2008 – $5,048,013). The Company and its financial advisors are actively targeting sources of additional funding through alliances with other financial entities or other business and financial transactions which would generate sufficient resources to assume continuation of the Company's operations and research and development programs.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue receiving financial support from shareholders and directors, raising adequate financing and generating profitable operations in the future.

2. Significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, Omnikon Technologies Ltd, and Avigilon U.K. Limited. All significant inter-company balances and transactions have been eliminated upon consolidation.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Examples of significant estimates include:

a) the net realizable value of inventories and the allocation of cost to inventories;
b) the estimated useful lives of assets;
c) the recoverability of tangible assets;
d) the value of research credits receivable;
e) the value of future income tax assets and liabilities;
f) the value of stock options granted; and
g) the value of inventories exchanged for research and development services.

Cash

Cash is comprised of cash on hand, demand deposits, and highly liquid interest bearing bank accounts.

Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventories includes all expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes materials, labor and appropriate share of overhead based on normal operating capacity. Costs of raw materials are based on an average per unit basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. In establishing the appropriate inventories obsolescence, management estimates the likelihood that inventories carrying values will be affected by changes in market demand, technology and design, which would make inventories on hand obsolete.

Property and equipment

Property and equipment is recorded at cost and amortized using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Computer software	2 years
Furniture and equipment	8 years
Leasehold improvements	5 years

2. Significant accounting policies (continued)

Research tax credits

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company. Research tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency. Should any part of these claims be adjusted by Canada Revenue Agency, the research tax credit receivable and statements of operations and deficit will be adjusted accordingly.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Research and development

Research and development costs (other than capital expenditures) relating to the development of potential digital imaging products are expensed as incurred unless they meet Canadian generally accepted accounting principles for deferral and amortization. Research and deferred development costs are recorded at cost and are amortized upon commencement of commercial sales on a straight-line basis over a period not exceeding three years. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each report date. Research and development costs are reduced by related government assistance and grants.

Foreign currency translation

(a) The financial statements of the Company's fully integrated subsidiaries are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rates of exchange in effect at the date the transactions are recognized in income. Realized gains and losses and currency translation adjustments are included in expenses.

(b) The Canadian dollar is the reporting currency of the Company. Foreign currency transactions are translated using the exchange rates prevailing at the rate of exchange in effect at the date of the transactions are recognized in income. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in expenses.

Revenue recognition

Revenue is derived primarily from the sale of surveillance systems. The Company recognizes revenue when title has passed, persuasive evidence of an arrangement exists, performance has occurred, customer specified test and acceptance criteria have been met, no significant obligation remains and collection is considered probable.

Barter transactions are inventories exchanged for research and development services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the inventories.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, preferred shares and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, preferred shares and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

2. Significant accounting policies (continued)

Basic loss per share is calculated using the weighted average number of shares outstanding during the year and does not include outstanding options and preferred shares. Diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and preferred shares into common shares would be anti-dilutive.

Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification.

The Company classifies its cash as held-for-trading, and receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities

The Company provides disclosure that enables users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance, and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and the balance sheet date, and how the entity manages those risks.

Comparative figures

Certain comparative figures for 2008 have been reclassified to conform with the current year's presentation.

Change in accounting policies

Effective January 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Assessing going concern (Section 1400)

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

Amendment to Financial Instruments – Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. 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 Company has included the disclosure recommended by the new Handbook section in Note 9 to these financial statements.

2. Significant accounting policies (continued)

Recent Accounting Pronouncements

The Company will adopt the following accounting pronouncements:

Business Combinations, Non-Controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Both sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS in 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Inventories

Inventories consist of the following:

	2009	2008
Raw materials	$2,068,518	$1,391,061
Finished goods	584,341	402,053
	$2,652,859	$1,793,114
Write-down of inventories in the year	$ 26,630	$ 53,530
Reverse of write-downs in the year	288,392	237,195

4. Research tax credits receivable and income taxes

a) Research tax credits

The Company's claims for scientific research and development expenditures as at December 31, 2009 have resulted in research tax credits totaling $1,155,141 (2008 – $689,481). Provisions have been made for these claims in these financial statements to the extent collection is reasonably assured, although the credits may still be subject to assessment by Canada Revenue Agency. Should any part of these claims be adjusted by Canada Revenue Agency, the investment tax credit receivable and statement of operations and deficit will be adjusted accordingly.

4. Research tax credits receivable and income taxes (continued)

b) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2009 (Restated)	2008 (Restated)
Income before income taxes	$ 24,899	$(3,542,002)
Combined federal and provincial income tax rate	30.0%	31.0%
	7,470	(1,098,021)
Permanent differences	64,871	164,125
Foreign losses tax effected at lower rates	(8,274)	—
Revaluation of future income tax liability to reflect future statutory rates	(12,057)	304,735
Changes in prior year estimates	(53,282)	38,726
Total income tax expense (recovery)	(1,272)	(590,435)
Comprised of:		
Current income tax expense	—	—
Future income tax expense (recovery)	(1,272)	(590,435)
	$ (1,272)	$ (590,435)

c) The tax effect of the significant temporary differences and loss carryforwards that comprise future income tax are as follows:

	2009 (Restated)	2008 (Restated)
Future tax assets (liabilities)		
Non-capital losses available for future periods	$1,458,130	$1,643,008
Scientific research and experimental development expenditures	867,889	662,355
Share issuance costs	53,666	57,061
	2,379,685	2,362,424
Future income tax liabilities:		
Investment tax credits	111,647	108,271
Property, plant and equipment	(13,662)	(14,599)
Warranty and other	(15,372)	(12,184)
Net future tax assets	$2,462,298	$2,443,912
Breakdown of future income taxes:		
Current	$ 601,010	$ —
Long term	1,861,288	2,443,912
	$2,462,298	$2,443,912

The Company has approximately $5,829,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, these losses expire through to 2029. Subject to certain restrictions, the Company has scientific research expenditures of approximately $3,400,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these tax assets have been recognized in these financial statements to the extent these assets are more likely than not to be realized.

d) Restatement of previously issued financial statements

Two errors were noted in the future income tax asset calculation related to 2008 and 2009.

As a result, the Company has restated its consolidated balance sheets as at December 31, 2009 and 2008 as well as its consolidated statements of operations and comprehensive income and cash flows for the years then ended.

4. Research tax credits receivable and income taxes (continued)

d) Restatement of previously issued financial statements (continued)

The following tables present the impact of the restatement on the Company's previously reported consolidated financial statements for the years ended December 31, 2009 and 2008:

December 31, 2009	As previously reported	Adjustments	Restated
Net (loss) income	$ (306,188)	$ 332,359	$ 26,171
Basic and diluted loss per share	(0.02)	0.02	(0.00)
Current future income tax asset	1,457,266	(856,256)	601,010
Non-current future income tax asset	1,207,461	653,827	1,861,288
Preferred shares	8,813,837	85,465	8,899,302

December 31, 2008	As previously reported	Adjustments	Restated
Net (loss) income	$(2,544,542)	$(407,025)	$(2,951,567)
Basic and diluted loss per share	(0.15)	(0.03)	(0.18)
Non-current future income tax asset	2,995,814	(551,902)	2,443,912
Preferred shares	5,836,205	68,351	5,904,556

5. Property and equipment

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 476,931	$ 415,972	$ 60,959	$ 466,306	$382,855	$ 83,451
Computer software	404,798	402,698	2,100	404,798	392,025	12,773
Furniture and equipment	388,776	200,243	188,533	366,870	153,471	213,399
Leasehold improvements	82,375	74,438	7,937	82,375	57,963	24,412
Deposits on equipment	70,125	—	70,125	—	—	—
	$1,423,005	$1,093,351	$329,654	$1,320,349	$986,314	$334,035

In fiscal 2009, the Company entered into agreements to purchase manufacturing equipment for a total price of US$612,381. The Company paid a deposit of US$66,860 (CDN$70,125) and is required to pay US$545,521 upon delivery and installation of the equipment.

6. Capital stock

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares, without par value			
Unlimited number of Class A, preferred shares, without par value			
Common shares issued			
Balance, December 31, 2007	16,393,443	$8,975,603	$2,827,366
Issued pursuant to anti-dilution provisions	604,759	—	—
Stock-based compensation	—	—	487,085
Balance, December 31, 2008	16,998,202	8,975,603	3,314,451
Stock-based compensation	—	—	161,808
Balance, December 31, 2009	16,998,202	$8,975,603	$3,476,259
Preferred shares issued			
Balance December 31, 2007	—	$ —	$ —
Issued for cash	6,116,213	6,116,213	—
Adjustment (Note 4)	—	68,351	—
Share issue costs	—	(280,008)	—
Balance, December 31, 2008	6,116,213	5,904,556	
Preferred shares issued			
Issued for cash	3,032,426	3,032,426	—
Adjustment (Note 4)	—	17,114	—
Share issue costs	—	(54,794)	—
Balance, December 31, 2009	9,148,639	$8,899,302	$ —

Common shares

There were no common shares issued during 2009.

During the year ended December 31, 2008, the Company issued an additional 604,759 common shares as a result of the 2008 financing in which preferred shares were issued at $1.00 per share. The 2007 Share Subscription Agreement has an anti-dilution provision that stipulated the issuance of additional common shares in the event the Company issued shares to arms length investors at a price less than the original subscription price.

Preferred shares

On June 17, 2008 the Board of directors authorized an amendment to the Articles of Incorporation that authorized an unlimited number of Class A preferred shares, without par value. The preferred shares are convertible at the option of the holder into common shares at the rate of one common share for one preferred share at any time. Each preferred share shall automatically convert into common shares without any further action by the Company immediately upon the earlier of either: a) the closing of a Qualified Initial Public offering, which has a pre-initial public offering market value of at least $50,000,000 and which results in aggregate gross proceeds of at least $15,000,000; b) the closing of an acquisition of 100% of the Company shares at a price of at least $5.00 per common share; or c) by majority consent (2/3rds) of the preferred shareholders.

During 2009, the Company issued 3,032,426 of Class A preferred shares at $1.00 each for gross proceeds of $3,032,426. The Company incurred share issuance costs of $54,794.

During 2008, the Company issued 6,116,213 Class A preferred shares at $1.00 each for total proceeds of $6,116,213. The Company incurred share issuance costs of $280,008.

The preferred shareholders are entitled to cumulative dividends from the date of issuance at the rate of 6% of the original purchase price. The accumulated dividends are payable in either cash or common shares at the discretion of the Company. As of December 31, 2009, the cumulative dividends totaled $644,804.

Stock options

The Company has a stock option plan in place under which it is authorized to grant up to 5,500,000 options to executive officers and directors, employees and consultants enabling them to acquire the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the fair market value of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

6. Capital stock (continued)

During the year ended December 31, 2009, the Company granted 232,000 (2008 – 756,000) stock options to directors, officers and employees at a price of $1.00 per share.

As at December 31, 2009, the following incentive stock options were outstanding:

Number of Shares	Exercise Price	Expiry period
300,000	$1.00	1-Jan-10 to 31-Dec-10
3,789,700	1.00	1-Jan-11 to 31-Dec-11
114,000	1.00	1-Jan-12 to 31-Dec-12
741,000	1.00	1-Jan-13 to 31-Dec-13
232,000	1.00	1-Jan-14 to 31-Dec-14
5,176,700		

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
Balance, December 31, 2007	4,673,450	$1.02
Options granted	756,000	1.00
Options expired	(184,750)	1.00
Options cancelled on repricing	(204,000)	1.50
Options issued on repricing	204,000	1.00
Balance, December 31, 2008	5,244,700	1.00
Options granted	232,000	1.00
Options cancelled	(300,000)	1.00
Balance, December 31, 2009	5,176,700	$1.00
Number of options currently exercisable	4,900,700	$1.00

Stock-based compensation

The following weighted average assumptions were used for the Black-Scholes option valuation of the options granted:

	2009	2008
Risk-free interest rate	2.19%	3.15%
Expected life of options	5 Years	5 Years
Annualized volatility	75%	75%
Dividend rate	0.00%	0.00%

The total stock-based compensation calculated under the Black-Scholes option pricing model during the year ended December 31, 2009 was $143,829 (2008 – $478,283). The weighted average fair value per option granted during the year was $0.62 (2008 – $0.63). The stock-based compensation for the year was $161,808 (2008 – $487,085).

The Company repriced 204,000 of its outstanding options on June 18, 2008 from $1.50 to $1.00 using the Black-Scholes option pricing model, resulting in additional compensation of $Nil.

7. Commitments

The Company has obligations under operating leases for its office premises. Minimum annual lease payments, including operating costs, pursuant to the lease agreements, are approximated as follows:

Year ended December 31	
2010	$334,025
2011	333,698
2012	130,919
2013	131,442
2014	72,730
2015	5,616

8. Supplemental disclosure with respect to cash flows

	2009	2008
Cash paid for income taxes	$—	$—
Cash paid for interest	—	—

The significant non-cash transactions for the year ended December 31, 2009 were the exchange of inventories for research and development services with a fair value of $788,025 (2008 – $640,800) and included in prepaid expenses is $71,882 (2008 – $64,480) which relates to a reclassification of accounts payable and accrued liabilities.

9. Financial instruments

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of the short-term nature of these instruments.

The fair values of cash are measured based on level 1 of the fair value hierarchy.

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had a cash balance of $2,241,474 and receivables of $4,627,501 to settle current liabilities of $2,575,742. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest bearing debt. The company's current practice is to invest excess cash in investment grade securities and deposits.

(b) Foreign currency risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar, the United States dollar ("U.S.") the Great Britain Pound ("GBP") and the Euro ("EUR") will affect the Company's operating and financial results. The Company has earned a significant portion of its revenue in these currencies and does not enter into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices used in manufacturing. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not enter into contracts to hedge against gains or losses from changes in commodity prices. It is in management's opinion that the Company is not exposed to significant price risk.

Sensitivity Analysis

The carrying amounts of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to their short term nature. The Company does not have significant exposure to changing interest rates.

At December 31, 2009, if the Canadian dollar had weakened 10% against the US dollar with all other variables held constant, pre-tax loss for the year would have been $259,319 lower. Conversely, if the Canadian dollar had strengthened 10% against the US dollar with all other variables held constant, pre-tax loss for the year would have been $212,170 higher.

9. Financial instruments (continued)

At December 31, 2009, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, pre-tax loss for the year would have been $83,010 lower. Conversely, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, pre-tax loss would have been $67,917 higher.

At December 31, 2009, if the Canadian dollar had weakened 10% against the Great Britain Pound with all other variables held constant, pre-tax loss for the year would have been $36,597 lower. Conversely, if the Canadian dollar had strengthened 10% against the Great Britain Pound with all other variables held constant, pre-tax loss would have been $29,943 higher.

10. Capital management

The Company's objectives when managing capital are to (i) safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and (ii) maintain a capital structure that provides financing options to the Company when a financing or a refinancing need arises to ensure access to capital on commercially reasonable terms, without exceeding its debt capacity.

In the management of capital, the Company includes components of shareholders' equity, and working capital in the definition of capital.

The Company manages the capital structure by monitoring its operational results against various financial scenarios prepared to reflect the changes in market and economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue debt to replace existing debt with similar or different characteristics, issue new shares, buy back shares or adjust the amount of cash and cash equivalents.

The Company is not subject to any capital requirements imposed by a regulator.

There were no changes in the Company's capital management policies during the year.

11. Segment information

The corporate head office is responsible for financing, development, production, investor relations and control of the corporation and offers services in the fields of human resources, information technology, production, local affairs, corporation communications, taxation, insurance and risk management.

The following is a breakdown of revenue by geographic areas based on the customers' locations:

	2009	2008
North America	$12,823,928	$4,205,123
International	4,058,036	1,034,934
Total	**$16,881,964**	**$5,240,057**

Condensed consolidated interim financial statements of

Avigilon Corporation

June 30, 2011
(Unaudited)

Avigilon Corporation
June 30, 2011

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Avigilon Corporation

Condensed consolidated interim statements of comprehensive income
for the three and six months ended June 30, 2011 and 2010
(Expressed in Canadian dollars, except number of shares and per share amounts)
(Unaudited)

	Note	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
		$	$ (Note 16)	$	$ (Note 16)
Sales		**16,037,454**	8,344,850	**26,070,951**	13,845,068
Cost of sales		**(9,319,677)**	(4,608,212)	**(14,923,549)**	(7,678,838)
		6,717,777	3,736,638	**11,147,402**	6,166,230
Operating expenses					
Selling		**2,791,980**	1,661,331	**5,065,857**	3,029,128
Research and development		**625,228**	606,126	**1,138,064**	1,025,556
Administrative		**1,322,845**	655,593	**2,442,623**	1,091,480
Amortization		**37,255**	26,595	**75,532**	56,895
Stock-based payments		**78,121**	48,276	**96,075**	96,549
		4,855,429	2,997,921	**8,818,151**	5,299,608
Operating income		**1,862,348**	738,717	**2,329,251**	866,622
Other income (expense)					
Dividend expense		**(137,230)**	(137,230)	**(274,460)**	(274,460)
Interest and other		**(32,266)**	13,594	**(46,538)**	29,951
Foreign exchange gain (loss)		**(62,110)**	10,917	**(156,333)**	(34,118)
		(231,606)	(112,719)	**(477,331)**	(278,627)
Income before income taxes		**1,630,742**	625,998	**1,851,920**	587,995
Dividend tax expense		**(58,492)**	—	**(58,492)**	—
Income tax expense	9(b)	**(494,643)**	(278,119)	**(594,900)**	(291,660)
Net income and total comprehensive income		**1,077,607**	347,879	**1,198,528**	296,335
Earnings per share	11				
Basic		**0.06**	0.02	**0.07**	0.02
Diluted		**0.04**	0.02	**0.05**	0.03
Weighted average number of shares outstanding	11				
Basic		**17,248,202**	17,077,872	**17,248,202**	17,038,257
Diluted		**30,429,174**	28,936,261	**30,429,174**	19,748,007

See accompanying notes to the condensed consolidated interim financial statements.

Avigilon Corporation

Condensed consolidated interim statements of financial position
As at June 30, 2011, December 31, 2010, and January 1, 2010
(Expressed in Canadian dollars)
(Unaudited)

	Note	June 30, 2011	December 31, 2010	January 1, 2010
		$	$ (Note 16)	$ (Note 16)
Assets				
Current assets				
Cash		**—**	2,330,100	2,241,474
Trade and other receivables	13(a)	**13,355,732**	7,652,921	4,627,501
Inventories	5	**9,054,931**	5,306,696	2,652,859
Prepaid expenses and deposits		**389,257**	307,768	275,536
Research tax credits	9(a)	**879,786**	578,873	987,645
		23,679,706	16,176,358	10,785,015
Property and equipment	6	**1,497,503**	1,494,939	327,554
Intangible assets		**34,297**	27,262	2,100
Deposits	8	**467,593**	25,953	29,552
Deferred tax assets		**1,404,232**	1,999,133	2,462,298
		27,083,331	19,723,645	13,606,519
Liabilities				
Current liabilities				
Trade and other payables		**7,590,957**	4,643,226	2,575,742
Bank loan	7	**4,899,307**	1,760,000	—
		12,490,264	6,403,226	2,575,742
Preferred shares liability	11	**10,610,686**	10,336,225	9,787,308
		23,100,950	16,739,451	12,363,050
Shareholders' equity				
Capital stock	11	**9,475,603**	9,475,603	8,975,603
Equity compensation reserve		**3,636,274**	3,836,615	3,559,820
Deficit		**(9,129,496)**	(10,328,024)	(11,291,954)
		3,982,381	2,984,194	1,243,469
		27,083,331	19,723,645	13,606,519
Commitments	10			

Approved by the Board and authorized for issue on August 18, 2011.

"Alexander Fernandes"

Alexander Fernandes, Director

"Wan Jung"

Wan Jung, Director

See accompanying notes to the condensed consolidated interim financial statements.

Avigilon Corporation

Condensed consolidated interim statements of changes in equity
For the six months ended June 30, 2011 and 2010, and the December 31, 2010
(Expressed in Canadian dollars, except number of shares)
(Unaudited)

	Capital stock		Equity reserve	Deficit	Total shareholders' equity
	Shares	Amount			
		$	$	$	$
Balance, January 1, 2010	16,998,202	8,975,603	3,559,820	(11,291,954)	1,243,469
Net income and comprehensive income	—	—	—	296,335	296,335
Share issue costs	—	—	(64,539)	—	(64,539)
Share-based payments	—	—	96,551	—	96,551
Issuance of common stock	250,000	500,000	—	—	500,000
Deferred income tax effect on share issuance cost adjustments	—	—	41,852	—	41,852
Balance, June 30, 2010 (Note 16)	17,248,202	9,475,603	3,633,684	(10,995,619)	2,113,668
Net income and comprehensive income	—	—	—	667,595	667,595
Share-based payments	—	—	96,548		96,548
Deferred income tax effect on share issuance cost adjustments	—	—	106,383	—	106,383
Balance, December 31, 2010 (Note 16)	17,248,202	9,475,603	3,836,615	(10,328,024)	2,984,194
Net income and comprehensive income	—	—	—	1,198,528	1,198,528
Deferred share issue costs	—	—	(296,416)	—	(296,416)
Share-based payments	—	—	96,075	—	96,075
Balance, June 30, 2011	17,248,202	9,475,603	3,636,274	(9,129,496)	3,982,381

See accompanying notes to the condensed consolidated interim financial statements.

Avigilon Corporation

Condensed consolidated interim statements of cash flows
For the three and six months ended June 30, 2011 and 2010
(Expressed in Canadian dollars)
(Unaudited)

		Three months ended		Six months ended	
	Note	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		$	$ (Note 16)	$	$ (Note 16)
Cash flows from operating activities					
Net income for the period		**1,077,607**	347,879	**1,198,528**	296,335
Adjustments for non-cash items					
Amortization		**111,712**	58,039	**217,532**	100,319
Stock-based payments		**78,121**	48,276	**96,075**	96,549
Income tax expense	9(b)	**494,643**	278,119	**594,900**	291,660
Unrealized foreign exchange loss (gain)		**15,867**	(60,168)	**23,889**	(118,330)
Increase (decrease) in deposits	8	**1,626**	5,590	**(441,640)**	4,603
Interest expense (income)		**32,266**	(13,594)	**46,538**	(29,951)
		1,811,842	664,141	**1,735,822**	641,185
Changes in non-cash working capital items					
Decrease (increase) in trade & other receivables		**(5,932,639)**	(2,291,995)	**(5,697,692)**	(1,749,378)
Decrease (increase) in inventories		**(1,210,146)**	(339,527)	**(3,748,235)**	(1,112,825)
Decrease (increase) in prepaid expenses and deposits		**376,694**	456,612	**(81,601)**	(74,036)
Decrease (increase) in research tax credits		**(164,590)**	987,645	**(300,913)**	882,787
Increase (decrease) in trade and other payables		**2,728,103**	770,109	**2,964,517**	584,126
Net changes in non-cash working capital		**(4,202,578)**	(417,156)	**(6,863,924)**	(1,469,327)
Interest (paid) received		**(32,266)**	13,594	**(46,538)**	29,951
Net cash (used in) provided by operating activities		**(2,423,002)**	260,579	**(5,174,641)**	(798,191)
Cash flows from financing activities					
Dividend expense		**137,230**	137,230	**274,460**	274,460
Issuance of common stock		**—**	500,000	**—**	500,000
Share issuance costs		**(296,416)**	—	**(296,416)**	(64,539)
Net cash (used in) provided by financing activities		**(159,186)**	637,230	**(21,956)**	709,921
Cash flows from investing activities					
Purchase of property and equipment		**(126,154)**	(208,452)	**(221,881)**	(850,621)
Disposal of property and equipment		**1,786**	—	**1,786**	—
Purchase of intangible assets		**(6,601)**	(4,749)	**(7,035)**	(37,267)
Net cash used in investing activities		**(130,969)**	(213,201)	**(227,131)**	(887,888)
Effect of foreign exchange rate changes on cash		**(6,037)**	24,499	**(45,680)**	57,954
Decrease in cash		**(2,719,193)**	709,107	**(5,469,407)**	(918,204)
Cash, beginning of period		**(2,180,114)**	614,163	**570,100**	2,241,474
Cash, end of period		**(4,899,307)**	1,323,270	**(4,899,307)**	1,323,270
Interest paid		**48,282**	3,365	**80,837**	3,365
		(0)	**(0)**	**(0)**	**0**

See accompanying notes to the condensed consolidated interim financial statements.

Avigilon Corporation

Notes to the condensed consolidated interim financial statements
June 30, 2011
(Expressed in Canadian dollars)
(Unaudited)

1. Nature of operations

Avigilon Corporation (the "Company") is incorporated under the Canadian Business Corporations Act and its principal business is the developing, manufacturing, marketing and sales of high definition surveillance systems.

Avigilon is a private company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's head office is located at #406 -1038 Hamilton Street, Vancouver, British Columbia. The Company's registered and records office is located at Suite 2900, 550 Burrard Street, Vancouver, B.C. Canada V6C 0A3.

2. Basis of presentation and statement of compliance

The Company has adopted International Financial Reporting Standards ("IFRS") at January 1, 2011 with a transition date of January 1, 2010. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, and are covered by IFRS 1, *First-Time Adoption of IFRS*. These condensed consolidated interim financial statements do not include all of the disclosures required by IFRS for complete financial statements.

As a result of ongoing review and possible amendments of interpretive guidance from the IASB and International Financial Reporting Interpretations Committee ("IFRIC"), IFRS in effect at December 31, 2011 may differ from IFRS and interpretation statements applied in preparing these condensed consolidated interim financial statements.

The Company's condensed consolidated interim financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these condensed consolidated interim financial statements, management has amended certain accounting and presentation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments. Note 16 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS.

These condensed consolidated interim financial statements have been prepared on a going concern basis, under the historical cost convention, except for financial assets and financial liabilities which are measured at fair value through profit or loss.

The preparation of the financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

3. Summary of significant accounting policies

The Company's significant accounting policies are outlined below:

(a) Basis of consolidation

The Company consolidates subsidiaries controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Avigilon UK Inc. incorporated in the United Kingdom and Omnikon Technologies Ltd. incorporated in British Columbia, Canada. Intercompany balances and transactions, revenues and expenses are eliminated in preparing the condensed consolidated interim financial statements.

(b) Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange at the date of the transaction. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost are translated using the historical rates. All gains and losses on translation of those foreign currency transactions are recorded in profit or loss.

(c) Measurement uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

3. Summary of significant accounting policies (continued)

(c) Measurement uncertainty (continued)

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the carrying amounts include the net realizable value of inventories and the allocation of cost to inventories, the estimated useful lives of assets, the estimated warranty provision, the recoverability of tangible and intangible assets, the value of research tax credits receivable, the value of deferred income tax assets and liabilities, the value of stock options granted, the estimated fair value of shares and any future contingencies and commitments. As the estimate process is inherently uncertain, actual future outcomes could differ from current estimates and assumptions, potentially having material effects on future financial statements.

Estimates are based on historical experience, current conditions, and various other assumptions believed to be reasonable under the circumstances. They are subject to review on a periodic basis and adjusted as necessary.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed below:

- Warranty reserve – the provision for warranty costs;
- Useful lives – the useful lives of equipment and leasehold improvements and intangible assets and the related depreciation;
- Inventory valuation – the provision for obsolescence of inventory and net realizable value;
- Receivable valuation – the recoverability of account receivables;
- Income taxes valuation – the provision for the income tax recovery and the composition of deferred tax assets;
- Share-based payments – the inputs used in accounting for share-based payment expense; and
- Contingencies – any future contingencies and commitments.

(d) Revenue recognition

The Company's revenues consist of sales of hardware, software, installation, training, and technical telephone support. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of services (excluding technical telephone support).

The Company recognizes revenue when it has transferred significant risks and rewards of ownership, legal title has passed, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognized when the Company has demonstrated delivery and compliance with the product specifications or has had a history of customer acceptance that provides no uncertainty of acceptance upon delivery of the product that would defer revenue recognition.

Arrangements may be comprised of multiple product and service elements. Revenue included in a multiple element arrangement are unbundled from the total fee for the arrangement based on their relative fair value as determined by reliable objective evidence. Where reliable objective evidence does not exist, reference to third party prices or estimates of standalone price for the element are used to determine a fair value. In situations where reliable objective evidence or other evidence of fair value does not exist for the delivered elements but does exist for the undelivered elements, the Company may apply the residual method. The residual method allocates the consideration to the undelivered elements based on their fair value and the remaining consideration to the delivered elements.

The Company's multiple-element sales arrangements include arrangements where hardware with embedded software licenses ("surveillance system") and technical telephone support are sold together. The hardware and software function together to deliver the tangible products' essential functionality. Revenue allocable to technical telephone support is recognized together with the surveillance system on delivery as the following criteria are met:

- the fee is included with the overall system fee,
- the telephone support has historically been for one year or less,
- the cost of providing the support is insignificant and
- unspecified upgrades or enhancements offered during the period historically have been and are expected to continue to be minimal and infrequent.

3. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Revenue is recognized on installation, training, and consulting services when these services have been performed. Selling price on these items is determined by reference to third party evidence of comparable services. Installation, training and consulting services are separate units of accounting because (1) the delivered item has standalone value to customers as it is sold separately by the Company and (2) there is no general right of return and the delivery or performance of the undelivered item is probable and substantially in the control of the Company.

(e) Share-based payments

The Company operates an equity-settled share-based payment plan, which is described in Note 11(b). The fair value of the awards granted is recognized as an operating expense with a corresponding increase in equity reserve. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the awards vest.

The fair value of the stock options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statement of comprehensive income.

(f) Borrowing costs

Borrowing costs comprise interest payable on borrowings calculated using the effective interest rate method, and are expensed when they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset.

Borrowings are obtained for general business activities and associated borrowing costs are not significant.

(g) Research and development

The Company is engaged in research and development activities. Research costs are expensed as incurred.

Development costs are expensed, unless all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(h) Research tax credits

The Company is entitled to certain Canadian federal and provincial tax incentives for qualified scientific research and experimental development. These refundable investment tax credits are recorded as a reduction in the related expenditures when there is reasonable assurance that such credits will be realized.

(i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred income taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of realization or settlement of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

3. Summary of significant accounting policies (continued)

(i) Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to employees and directors of the Company and preferred shares.

(k) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment and leasehold improvements consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized at rates calculated to write off the cost of equipment and leasehold improvements, less their estimated residual value, using the straight-line method. The periods/rates are outlined below:

Asset	Basis	Rate/years
Computer equipment	Straight-line	3 years
Demo equipment	Straight-line	3 years
Furniture and equipment	Straight-line	8 years
Leasehold improvements	Straight-line	Term of lease
Manufacturing	Straight-line	8 years
Tooling	Straight-line	3 years

An item of equipment and leasehold improvements is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of equipment and leasehold improvements comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of equipment and leasehold improvements that are accounted for separately, including major inspection and overhaul expenditures, are capitalized and amortized over their estimated useful life.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

The recoverable amount is the greater of the asset's 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.

3. Summary of significant accounting policies (continued)

(k) Property and equipment (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

(l) Intangible assets

Intangible assets are recorded at cost and amortized using the straight-line method over the following estimated useful life:

Computer software	2 years

(m) Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

(n) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventory to their present location and condition. Net realizable value is the estimated selling price less estimated costs to complete.

(o) Financial instruments

The Company recognizes financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial asset and liabilities, except for financial asset or liabilities at fair value through profit or loss, whereby the transaction costs are expensed as incurred.

Financial assets are classified into one of the following categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available for sale ("AFS"); and
- loans and receivables.

(i) Financial assets

Cash

Cash comprise cash on hand and deposits in banks and is measured at fair value and are classified as FVTPL.

Accounts receivable

Accounts receivable do not incur any interest, are short term in nature and are measured at amortized cost net of appropriate allowance for estimated irrecoverable amounts. Such allowances are recognized based on an assessment of ageing of debtor's accounts, past experience or known customer circumstances. Accounts receivable are classified as loans and receivables.

Deposits

Deposits are recognized at amortized cost and are classified as loans and receivables.

(ii) Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

Impairment losses relating to available for sale investments are recognized when the decline in fair value is considered significant or prolonged. These impairment losses are recognized by transferring the cumulative loss that has been recognized in the other comprehensive income to the net income(loss). The loss recognized in the statement of comprehensive income is the difference between the acquisition cost and the current fair value.

(iii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

The Company has classified trade and other payables, and bank loan as other financial liabilities.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contracts are not measured at fair value through profit and loss.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the asset have expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the associated obligation has been discharged, cancelled or has expired.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(p) Leases

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Incentives received upon entry into an operating lease are recognized straight-line over the lease term.

(q) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

3. Summary of significant accounting policies (continued)

(r) Segment information

The Company's operating segments are organized geographically and are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"). The CEO is considered the chief operating decision-maker ("CODM") and has the authority for resource allocation and is responsible for assessing the Company's performance.

4. Accounting standards issued but not yet effective

The following new standards have been issued but are not effective during the period ended June 30, 2011. These standards and interpretations are effective from January 1, 2013 and early adoption is permitted.

(a) Financial Instruments – Disclosures

Financial Instruments – Disclosures: The International Accounting Standards Board (the "IASB") has issued an amendment to IFRS 7, "Financial Instruments: Disclosures" (the "IFRS 7 amendment"), requiring incremental disclosures regarding transfers of financial assets. The IAS 7 amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment at the beginning of the 2012 financial year and does not expect the implementation to have a significant impact on disclosures.

(b) Deferred Taxes – Recovery of Underlying Assets

Deferred Taxes – Recovery of Underlying Assets: The IASB has issued an amendment to IAS 12, "Income Taxes" (the "IAS 12 amendment"), that introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. This amendment is effective for annual periods beginning on or after January 1, 2012, and as such the Company will apply the amendment for financial statements ending after January 1, 2012. The impact of this amendment has yet to be assessed.

(c) Financial Instruments – IFRS 9

Financial Instruments: The IASB has issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9"), which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. This standard becomes effective on January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

(d) Consolidated Financial Statements – IFRS 10

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(f) Fair Value Measurements – IFRS 13

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(g) Separate financial statements – IAS 27

IAS 27 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements as the consolidation guidance will now be included in IFRS 10.

(Expressed in Canadian dollars)

4. Accounting standards issued but not yet effective (continued)

(h) Amendments to IAS 1 on presentation of items of other comprehensive income

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.

5. Inventories

	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Parts, accessories and raw materials	**6,651,314**	4,650,800	2,068,518
Finished goods	**2,403,617**	655,896	584,341
	9,054,931	5,306,696	2,652,859

During the three and six month periods ended June 30, 2011, there were no reversals of previous recorded inventory write downs. As at June 30, 2011, the Company anticipates that inventories will be realized within a year.

During the three months ended June 30, 2011, $8,099,705 of inventory was expensed through cost of sale (2010 – $4,193,636).

During the six months ended June 30, 2011, $13,311,923 of inventory was expensed through cost of sale (2010 – $6,993,698).

6. Property and equipment

The carrying amount of property and equipment is as follows:

	$
Balance, as at January 1, 2010	327,554
Additions	1,488,823
Amortization	(321,438)
Balance, as at December 31, 2010	1,494,939
Additions	221,882
Disposals	(1,786)
Amortization	(217,532)
Balance, June 30, 2011	1,497,503

The Company's property and equipment is broken down as follows:

	June 30, 2011		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Manufacturing equipment	**769,073**	**125,454**	**643,619**
Computer equipment	**613,157**	**495,107**	**118,050**
Furniture and equipment	**553,296**	**291,262**	**262,034**
Leasehold improvements	**387,217**	**136,189**	**251,028**
Demo Equipment	**300,049**	**126,150**	**173,899**
Tooling	**90,145**	**41,272**	**48,873**
	2,712,937	**1,215,434**	**1,497,503**

(Expressed in Canadian dollars)

6. Property and equipment (continued)

	December 31, 2010		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Manufacturing equipment	734,296	78,966	655,330
Computer equipment	572,216	463,779	108,437
Furniture and equipment	542,829	257,023	285,806
Leasehold improvements	332,630	107,772	224,858
Demo Equipment	234,917	78,306	156,611
Tooling	90,145	26,248	63,897
	2,507,033	1,012,094	1,494,939

	January 1, 2010		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Computer equipment	476,931	415,972	60,959
Furniture and equipment	388,776	200,243	188,533
Leasehold improvements	82,375	74,438	7,937
Deposits on equipment	70,125	—	70,125
	1,018,207	690,653	327,554

During the three months ended June 30, 2011 $49,660 of amortization was allocated to costs of goods sold (2010 – $31,444).

During the three months ended June 30, 2011, the Company acquired assets of $126,154 (2010 – $208,452), and recorded amortization of $37,255 (2010 – $26,596) and disposals of $1,786 (2010 – $Nil). No impairment losses were recognized or reversed in the period.

During the six months ended June 30, 2011 $94,155 of amortization was allocated to costs of goods sold (2010 – $43,424).

During the six months ended June 30, 2011, the Company acquired assets of $221,882 (2010 – $850,621), and recorded amortization of $75,532 (2010 – $56,895) and disposals of $1,786 (2010 – $Nil). No impairment losses were recognized or reversed in the period.

7. Bank loan

The Company has a $7,000,000 revolving demand credit facility and is secured by a general security agreement providing a first charge over all assets of the Company. At June 30, 2011, the balance of $4,899,307 included $4,840,000 (Dec. 31, 2010 – $1,760,000) drawn against the credit facility and a cash balance of ($59,307).

The facility bears interest at the bank's prime plus 1.65% per annum for Cdn$ funds and USBR plus 1.65% per annum for US$ funds. Under the terms of the credit facility, the Company must satisfy certain restrictive covenants as to minimum financial ratios. As at June 30, 2011, the Company is in compliance with all covenants, obligations and conditions of its credit agreement.

8. Deposits

During 2011, the Company entered into a lease agreement for its head office location which required a security deposit totaling $443,266. The Company has other minor deposits for $24,327 on account.

9. Research tax credits receivable and income taxes

(a) *Research tax credits*

The Company's claims for scientific research and development expenditures as at June 30, 2011 have resulted in research tax credits refundable totaling $879,786 (December 31, 2010 – $578,873). Should any part of these claims be adjusted by Canada Revenue Agency, the research tax credit receivable and statement of comprehensive income will be adjusted accordingly.

(Expressed in Canadian dollars)

9. Research tax credits receivable and income taxes (continued)

(b) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	June 30, 2011	June 30, 2010
	$	$
Income before income taxes	**1,851,920**	587,995
Combined federal and provincial income tax rate	**26.5%**	28.5%
Tax recovery at statutory rate	**490,759**	167,579
Permanent differences	**104,141**	124,081
Total income tax expense (recovery)	**594,900**	291,660
Comprised of:		
Current income tax expense	**—**	27,070
Future income tax expense (recovery)	**594,900**	264,590
	594,900	291,660

10. Leases

The Company has obligations under operating leases for its office premises. Minimum annual lease payments, including operating costs, pursuant to the lease agreements, are approximated as follows:

	$
2011	259,020
2012	1,234,434
2013	1,594,354
2014	1,596,496
2015	1,473,257
2016	1,462,029
2017	1,096,522
	8,716,112

The Company has expensed $95,153 related to leases for the three months ended June 30, 2011 (2010 – $89,588).

The Company has expensed $200,380 related to leases for the six months ended June 30, 2011 (2010 – $163,640).

11. Issued capital

(a) Authorized

- Unlimited number of preferred convertible at the option of the holder, voting, non-participating shares without nominal or par value
- Unlimited number of common shares with no par value

(b) Stock options

The Company maintains a fixed stock option plan that enables it to grant options to its directors, officers, employees and other service providers. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options. The Company has reserved 5,500,000 common shares under the plan. The options vest between 12 and 60 months from the date of grant and have a maximum term of five years.

(Expressed in Canadian dollars)

11. Issued capital (continued)

(b) Stock options (continued)

The changes in stock options during the six months ended June 30, 2011 and year ended December 31, 2010 were as follows:

	June 30, 2011		**December 31, 2010**	
	Number of options	**Average exercise price**	**Number of options**	**Average exercise price**
		$		**$**
Outstanding, beginning of period	**5,183,100**	**1.03**	5,176,700	1.00
Options granted	**274,000**	**2.93**	341,400	1.43
Options forfeited	**(80,000)**	**1.06**	(335,000)	1.00
Outstanding, end of period	**5,377,100**	**1.12**	5,183,100	1.03
Exercisable, end of period	**4,900,100**	**1.01**	4,889,600	1.01

During the three months ended June 30, 2011, the Company granted 256,000 (2010 – 93,400) stock options to directors, officers and employees at a weighted average price of $3.00 (2010 – $2.00).

During the six months ended June 30, 2011, the Company granted 274,000 (2010 – 243,400) stock options to directors, officers and employees at a weighted average price of $2.93 (2010 – $1.03).

(c) Share-based payments

The weighted average grant date fair value of an option granted during the six months ended June 30, 2011 is $1.47 (2010 – $0.996) per share. The option valuations were determined using the following weighted average assumptions:

	June 30, 2011	**June 30, 2010**
Risk-free interest rate	**2.88%**	2.79%
Expected life	**5 years**	5 years
Annualized volatility	**55%**	55%
Dividend yield	**0%**	0%
Estimated share fair value	**$ 3.00**	$ 2.00

(d) Preferred shares

On June 17, 2008, the Board of Directors authorized an amendment to the Articles of Incorporation that authorized an unlimited number of Class A preferred shares, without par value. The preferred shares are convertible at the option of the holder into common shares at the rate of one common share for one preferred share at any time. Each preferred share shall automatically convert into common shares without any further action by the Company immediately upon the earlier of either: (i) the closing of a Qualified Initial Public offering, which has a pre-initial public offering market value of at least $50,000,000 and which results in aggregate gross proceeds of at least $15,000,000; (ii) the closing of an acquisition of 100% of the Company shares at a price of at least $5.00 per common share; or (iii) by majority consent (two-thirds) of the preferred shareholders.

There were no preferred shares issued during 2011 or 2010.

During 2009, the Company issued 3,032,426 of Class A preferred shares at $1.00 each for gross proceeds of $3,032,426. The Company incurred share issuance costs of $54,794.

During 2008, the Company issued 6,116,213 Class A preferred shares at $1.00 each for total proceeds of $6,116,213. The Company incurred share issuance costs of $280,008.

The preferred shareholders are entitled to cumulative dividends from the date of issuance at the rate of 6% of the original purchase price. The accumulated dividends are payable in either cash or common shares at the discretion of the Company. As of June 30, 2011, the cumulative dividends totaled $1,462,047 (December 31, 2010 – $1,187,587).

An embedded derivative was identified in connection with the holder's option to convert the preferred shares to common shares. The value of the embedded derivative was zero.

The preferred shares were accounted for as liabilities. See note 16 for further discussion.

(Expressed in Canadian dollars)

11. Issued capital (continued)

(e) Earnings per share

	Three months ended		Six months ended	
	June 30, 2011	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
	$	**$**	**$**	**$**
Net income	**1,214,837**	485,109	**1,472,988**	570,795
Dividends on preferred shares	**(137,230)**	(137,230)	**(274,460)**	(274,460)
Net income	**1,077,607**	347,879	**1,198,528**	296,335
Basic weighted-average number of shares outstanding	**17,248,202**	17,077,872	**17,248,202**	17,038,257
Effect of dilutive securities:				
Preferred shares	**9,148,639**	9,148,639	**9,148,639**	
Stock options	**4,032,333**	2,709,750	**4,032,333**	2,709,750
Diluted weighted-average number of shares outstanding	**30,429,174**	28,936,261	**30,429,174**	19,748,007
Net income per common share				
Basic	**0.06**	0.02	**0.07**	0.02
Diluted	**0.04**	0.02	**0.05**	0.03

For the six months ended June 30, 2011 and 2010, no stock options were excluded from securities because the exercise prices of these options were lower than the estimated average market price of the common shares during the period.

For the six months ended June 30, 2010, diluted net income per common share calculation the dividends on preferred shares are added back in.

12. Related party transactions

The Company's related parties consist of companies owned by executive officers and directors as follows:

	Nature of transactions
Fusion Securities	Sales of surveillance equipment

The Company incurred sales of $24,090 for the three month period ended June 30, 2011 (2010 – $23,010) in the normal course of operations in connection with companies owned by key management and directors.

The Company incurred sales of $90,641 for the six months period ended June 30, 2011 (2010 – $61,325) in the normal course of operations in connection with companies owned by key management and directors. Receivable balance was $2,648 as at June 30, 2011 (2010 – payable of $619).

13. Financial instruments

The Company's financial instruments consist of cash, deposits, trade and other receivables, bank loan and trade and other payables. The fair values of these financial instruments approximate their carrying values because of the short-term nature of these instruments.

The fair values of cash are measured based on Level 1 of the fair value hierarchy.

(a) Credit risk

The Company's principal financial assets are cash, demand deposits and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheet represent the Company's maximum credit exposure at the balance sheet date.

The credit risk on cash and demand deposits is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

The Company is exposed to credit risk with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The amounts disclosed in the consolidated balance sheet are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. The Company mitigates credit risk through standard credit and reference checks.

(Expressed in Canadian dollars)

13. Financial instruments (continued)

(a) *Credit risk (continued)*

As at June 30, 2011, the aging of trade receivables were:

	June 30, 2011	December 31, 2010	January 1, 2010
	$	**$**	**$**
Trade			
Current	**10,835,905**	**5,891,241**	3,445,099
Aged between 61 – 119 days	**1,261,806**	**877,820**	824,316
Aged greater than 120 days	**787,275**	**547,007**	175,187
Total trade	**12,884,986**	**7,316,068**	4,444,602
Related company	**—**	**57,748**	19,530
Others	**580,134**	**356,103**	186,759
	13,465,120	**7,729,919**	4,650,890
Allowance for doubtful accounts	**(109,388)**	**(76,998)**	(23,389)
	13,355,732	**7,652,921**	4,627,501

Reconciliation of allowance for doubtful accounts:

	June 30, 2011	December 31, 2010	January 1, 2010
	$	**$**	**$**
Balance, beginning of year	**76,998**	**23,389**	—
Increase during the year	**2,031**	**61,087**	23,389
Bad debts recovery during the year	**43,034**	**15,250**	—
Bad debts written off during the year	**(12,675)**	**(22,728)**	—
Balance, end of year	**109,388**	**76,998**	23,389

(b) *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2011, the Company had trade and other receivables of $13,355,732 to settle current liabilities of $12,490,264. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

(c) *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances and no interest bearing debt. The Company's current practice is to invest excess cash in investment grade securities and deposits.

(ii) Foreign currency risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar, the United States dollar ("U.S.") the Great Britain Pound ("GBP") the Euro ("EUR") and the United Arab Emirates Dirham ("AED") will affect the Company's operating and financial results. The Company has earned a significant portion of its revenue in these currencies and does not enter into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices used in manufacturing. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company does not enter into contracts to hedge against gains or losses from changes in commodity prices. It is in management's opinion that the Company is not exposed to significant price risk.

(Expressed in Canadian dollars)

13. Financial instruments (continued)

(d) *Sensitivity analysis*

The fair values of cash, receivables, bank loan and accounts payable and accrued liabilities approximate their carrying amounts due to their short term nature. The Company has limited exposure to changing interest rates.

At June 30, 2011, if the Canadian dollar had weakened 10% against the U.S. dollar with all other variables held constant, pre-tax income for the year would have been $648,661 higher. Conversely, if the Canadian dollar had strengthened 10% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

At June 30, 2011, if the Canadian dollar had weakened 10% against the Euro with all other variables held constant, pre-tax income for the year would have been $181,492 higher. Conversely, if the Canadian dollar had strengthened 10% against the Euro with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

At June 30, 2011, if the Canadian dollar had weakened 10% against the Great Britain Pound with all other variables held constant, pre-tax income for the year would have been $133,448 higher. Conversely, if the Canadian dollar had strengthened 10% against the Great Britain Pound with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

At June 30, 2011, if the Canadian dollar had weakened 10% against the United Arab Emirates Dirham with all other variables held constant, pre-tax income for the year would have been $5,251 higher. Conversely, if the Canadian dollar had strengthened 10% against the United Arab Emirates Dirham with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

14. Capital management

The Company manages its cash, bank loan, common shares and stock options offset by its cash as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its high definition surveillance systems and to maintain a flexible capital structure which optimizes the cost of capital as an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and cash equivalents.

15. Segmented information

The Company has four geographic segments in which it develops, manufactures, markets, and sells high definition surveillance systems.

The following is a breakdown of revenue by geographic areas based on the customers' locations:

	June 30, 2011	June 30, 2010
	$	$
North America	15,558,044	8,085,377
Europe, Middle East and Africa	8,173,743	4,413,743
Asia Pacific	1,390,946	1,084,065
Latin America	948,218	261,883
Total revenues	26,070,951	13,845,068

The gross profit is consistent across the geographic segments. All other costs and expenses are incurred in Canada and all assets are held in Canada.

16. Transition to IFRS

The Canadian Accounting Standards Board has mandated the adoption of IFRS effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. The Company has elected to adopt this requirement but is not mandated to do so. The date of transition is January 1, 2010 and as a result the 2010 comparative information has been adjusted to confirm with IFRS.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Certain optional exemptions and mandatory exceptions were utilized in preparing the opening IFRS Statement of financial position. The Company applied the following optional exemption:

16. Transition to IFRS (continued)

Borrowing Costs

In accordance with IFRS 1, an entity can adopt to not apply IFRS capitalization criteria to borrowing costs incurred prior to the transition date. The Company will prospectively apply the standard under IFRS.

Share-based payments

In accordance with IFRS, an entity can adopt to apply IFRS 2 to options which vested prior to transition date. The Company will prospectively apply the standard under IFRS.

Mandatory exceptions applied:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Reconciliations between IFRS and Canadian GAAP

Although IFRS employs a conceptual framework that is similar to Canadian GAAP, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and financial performance. In order to allow the users of the financial statements to better understand these changes, the following reconciliations have been provided.

- The Company's statement of financial position as at January 1, 2010;
- The Company's statements of comprehensive income for the three months and six months ended June 30, 2010;
- The Company's statements of comprehensive income for the year ended December 31, 2010;
- The Company's statement of financial position as at June 30, 2010; and
- The Company's statement of financial position as at December 31, 2010.

Reconciliations for the statement of cash flows have not been provided as there was no net change in cash flows. All of the changes in net income were offset through "Share-based payments", a non-cash line item.

Notes explaining each adjustment are provided after the reconciliations.

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

		January 1, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Assets				
Current assets				
Cash		2,241,474	—	2,241,474
Trade and other receivables		4,627,501	—	4,627,501
Inventories		2,652,859	—	2,652,859
Prepaid expenses and deposits		275,536	—	275,536
Research tax credits		987,645	—	987,645
Deferred tax assets	(a)	601,010	(601,010)	—
		11,386,025	(601,010)	10,785,015
Property and equipment		327,554	—	327,554
Intangible assets		2,100	—	2,100
Deposits		29,552	—	29,552
Deferred tax assets	(a)	1,861,288	601,010	2,462,298
		13,606,519	—	13,606,519
Liabilities				
Current liabilities				
Trade and other payables		2,575,742	—	2,575,742
Bank loan		—	—	—
		2,575,742	—	2,575,742
Preferred shares	(c)	—	9,787,308	9,787,308
		2,575,742	9,787,308	12,363,050
Shareholders' equity				
Capital stock		8,975,603	—	8,975,603
Preferred shares	(c)	8,899,302	(8,899,302)	—
Equity compensation reserve	(b)	3,476,269	83,551	3,559,820
Deficit	(b),(c)	(10,320,397)	(971,557)	(11,291,954)
		11,030,777	(9,787,308)	1,243,469
		13,606,519	—	13,606,519

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The Canadian GAAP statement of comprehensive income for the three months ended June 30, 2010 has been reconciled to IFRS as follows:

		Three months ended June 30, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Sales		8,344,850	—	8,344,850
Cost of sales		4,608,212	—	4,608,212
		3,736,638	—	3,736,638
Operating expenses				
Selling		1,661,331	—	1,661,331
Research and development		606,126	—	606,126
Administrative		655,593	—	655,593
Amortization		26,595	—	26,595
Stock-based payments	(b)	15,502	32,774	48,276
Total operating expenses		2,965,147	32,774	2,997,921
Operating income		771,491	(32,774)	738,717
Other (expense) income				
Dividend Expense	(c)	—	(137,230)	(137,230)
Interest and other		13,594	—	13,594
Foreign exchange gain		10,917	—	10,917
Income before income taxes		796,002	(170,004)	625,998
Income tax expense		278,119	—	278,119
Net income and total comprehensive income		1,074,121	(170,004)	347,879

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The Canadian GAAP statement of comprehensive income for the six months ended June 30, 2010 has been reconciled to IFRS as follows:

		Six months ended June 30, 2010		
	Note	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
		$	**$**	**$**
Sales		13,845,068	—	13,845,068
Cost of sales		7,678,838	—	7,678,838
		6,166,230	—	6,166,230
Operating expenses				
Selling		3,029,128	—	3,029,128
Research and development		1,025,556	—	1,025,556
Administrative		1,091,480	—	1,091,480
Amortization		56,895	—	56,895
Stock-based payments	(b)	114,605	(18,056)	96,549
Total operating expenses		5,317,664	(18,056)	5,299,608
Operating income		848,566	18,056	866,622
Other (expense) income				
Dividend Expense	(c)	—	(274,460)	(274,460)
Interest and other		29,951	—	29,951
Foreign exchange gain (loss)		(34,118)	—	(34,118)
Income before income taxes		844,399	(256,404)	587,995
Income tax expense		291,660	—	291,660
Net income and total comprehensive income		1,136,059	(256,404)	296,335

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The Canadian GAAP statement of comprehensive income for the twelve months ended December 31, 2010 have been reconciled to IFRS as follows:

		Year ended December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Sales		32,283,927	—	32,283,927
Cost of sales		17,713,078	—	17,713,078
		14,570,849	—	14,570,849
Operating expenses				
Selling		6,737,744	—	6,737,744
Research and development		2,348,627	—	2,348,627
Administrative		2,821,778	—	2,821,778
Amortization		232,516	—	232,516
Stock-based payments	(b)	158,805	34,294	193,099
Total operating expenses		12,299,470	34,294	12,333,764
Operating income		2,271,379	(34,294)	2,237,085
Other income (expense)				
Dividend expense	(c)	—	(548,920)	(548,920)
Interest and other		33,914	—	33,914
Foreign exchange gain		(157,138)	—	(157,138)
Income before income taxes		2,148,155	(583,214)	1,564,941
Income tax expense		(601,010)	—	(601,010)
Net income and total comprehensive income		1,547,145	(583,214)	963,931

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The Canadian GAAP statement of financial position at June 30, 2010 has been reconciled to IFRS as follows:

		June 30, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Assets				
Current assets				
Cash		1,323,270	—	1,323,270
Trade and other receivables		6,490,420	—	6,490,420
Inventories		3,765,684	—	3,765,684
Research tax credits		104,858	—	104,858
Deferred tax assets	(a)	1,457,266	(1,457,266)	—
Prepaid expenses and deposits		349,149	—	349,149
		13,490,647	(1,457,266)	12,033,381
Property and equipment		1,077,876	—	1,077,876
Intangible assets		39,367	—	39,367
Deposits		24,949	—	24,949
Deferred tax assets	(a)	782,294	1,457,266	2,239,560
		15,415,133	—	15,415,133
Liabilities				
Current liabilities				
Trade and other payables		3,239,697	—	3,239,697
Bank loan		—	—	—
		3,239,697	—	3,239,697
Preferred shares	(c)	—	10,061,768	10,061,768
		3,239,697	10,061,768	13,301,465
Shareholders' equity				
Capital stock		9,475,603	—	9,475,603
Preferred shares	(c)	8,876,615	(8,876,615)	—
Equity compensation reserve	(b)	3,590,864	42,820	3,633,684
Deficit	(b),(c)	(9,767,646)	(1,227,973)	(10,995,619)
		12,175,436	(10,061,768)	2,113,668
		15,415,133	—	15,415,133

(Expressed in Canadian dollars)

16. Transition to IFRS (continued)

The Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

		December 31, 2010		
	Note	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
		$	**$**	**$**
Assets				
Current assets				
Cash		2,330,100	—	2,330,100
Trade and other receivables		7,652,921	—	7,652,921
Inventories		5,306,696	—	5,306,696
Prepaid expenses		307,768	—	307,768
Research tax credits		578,873	—	578,873
Deferred tax assets	(a)	1,125,000	(1,125,000)	—
		17,301,358	(1,125,000)	16,176,358
Property and equipment		1,494,939	—	1,494,939
Intangible assets		27,262	—	27,262
Deposits		25,953	—	25,953
Deferred tax assets	(a)	874,133	1,125,000	1,999,133
		19,723,645	—	19,723,645
Liabilities				
Current liabilities				
Trade and other payables		4,643,226	—	4,643,226
Bank loan		1,760,000	—	1,760,000
		6,403,226	—	6,403,226
Preferred shares	(c)	—	10,336,225	10,336,225
		6,403,226	10,336,225	16,739,451
Shareholders' equity				—
Capital stock		9,475,603	—	9,475,603
Preferred shares	(c)	8,982,995	(8,982,995)	—
Equity compensation reserve	(b)	3,635,074	201,541	3,836,615
Deficit	(b),(c)	(8,773,253)	(1,554,771)	(10,328,024)
		13,320,419	(10,336,225)	2,984,194
		19,723,645	—	19,723,645

Notes to the reconciliations

(a) *Deferred tax assets* - Under Canadian GAAP, the Company separately presented current and non-current deferred tax assets. IFRS requires the Company to present all deferred tax assets as long term.

(b) *Share-based payments* - Under Canadian GAAP, the Company amortized grants in their entirety on a straight-line basis over the total vesting term and recognized forfeitures as they occurred. IFRS requires each tranche of a grant to be amortized over their respective vesting period and to include an estimate of forfeiture rates. As a result of these changes, compensation expense has been accelerated under IFRS.

(c) *Preferred shares* - Under Canadian GAAP, the Company accounted for the preferred shares as equity. IFRS requires that the preferred shares be accounted for as liabilities as they are considered hybrid financial instruments that contain embedded derivatives in the form of conversion options (see note 11(d)). The value of the preferred share liability is measured using the effective interest method which is the amount that could be demanded from the holders in the events of a change of control. The accumulated dividend expense is accrued in the year it would be due to the shareholders.

If the unpaid dividends were paid in cash to the shareholders, the Company would be subject to Part VI.1 tax. It is not the Company's intention to pay the dividends in cash, however the expected tax expense less applicable deductions has been accrued in 2011.

SCHEDULE A
BOARD MANDATE

I. ROLE AND RESPONSIBILITIES

1. The Board of Directors (the "**Board**") is responsible for the stewardship of Avigilon Corporation (the "**Corporation**"). This requires the Board to oversee the conduct of the business and supervise management, which is responsible for the day-to-day conduct of the business.

2. The Board is responsible for the adoption of a strategic planning process and the approval and review, at least annually, the Corporation's strategic business plan proposed by management, including a statement of the vision, mission and values, and to adopt such a plan with such changes as the Board deems appropriate. The plan and discussion which takes into account, among other things, the opportunities and risks of the business must be presented to the Board so as to provide enough time for management to resubmit and review the plan and incorporate a budget that takes into account the strategic objectives of the Corporation.

3. The Board shall hold meetings on at least a quarterly basis.

4. The Board shall review and measure corporate performance against strategic plans, senior management objectives, financial plans and quarterly budgets.

5. The Board is responsible for the identification of the principal risks of the Corporation's business and overseeing the implementation of appropriate systems to manage these risks.

6. The Board is responsible for succession planning, including appointing, training and monitoring senior management and, in particular, the CEO.

7. The Board is responsible for satisfying itself as to the integrity of the CEO and other senior officers and that the CEO and the other senior officers create a culture of integrity throughout the Corporation.

8. The Board is responsible for the Corporation's communication policies, which:

    (a) address how the Corporation interacts with analysts, investors, other key stakeholders and the public;

    (b) contain measures for the Corporation to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and

    (c) are reviewed at least annually.

9. The Board is responsible for the integrity of the Corporation's internal control and management information systems.

10. The Board is responsible for acting in accordance with all applicable laws, the Corporation's Articles and the Corporation's Code of Business Conduct and Ethics.

11. The Board and each individual director is responsible for acting in accordance with the obligations imposed by the Canada Business Corporations Act. In exercising their powers and discharging their duties, each director shall:

    (a) act honestly and in good faith with a view to the best interests of the Corporation;

    (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

    (c) exercise independent judgement regardless of the existence of relationships or interests which could interfere with the exercise of independent judgement; and

    (d) disclose to the Corporation, in writing or by having it entered in the minutes of meetings of directors, the nature and extent of any interest that the director has in a material contract or material transaction, whether made or proposed, with the Corporation if the director is a party to the contract or transaction, is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction, or, has a material interest in a party to the contract or transaction; and such director shall refrain from voting on any resolution to approve such contract or transaction unless it relates to the directors' remuneration in that capacity, is for the directors' indemnity or insurance or is a contract or transaction with an affiliate; and

    (e) demonstrate a willingness to listen as well as to communicate their opinions, openly and in a respectful manner.

12. The Board and each individual director is responsible for making all reasonable efforts to attend meetings of the Board as required, and to review in advance all meeting materials distributed in connection therewith.

13. The Board has the authority to appoint a managing director or to establish committees and appoint directors to act as managing director or to be members of these committees. The Board may not delegate to such managing director or committees the power to:

    (a) submit to the shareholders any question or matter requiring the approval of the shareholders;

    (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;

    (c) issue securities, except as authorized by the directors;

    (d) issue shares of a series, except as authorized by the directors;

    (e) declare dividends;

    (f) purchase, redeem or otherwise acquire shares issued by the Corporation;

    (g) pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;

    (h) approve a management proxy circular, take-over bid circular or directors' circular;

    (i) approve financial statements to be put before the shareholders; and

    (j) adopt, amend or repeal bylaws.

14. The matters to be delegated to committees of the Board and the constitution of such committees are to be assessed annually or more frequently, as circumstances require. From time to time the Board may create an ad hoc committee to examine specific issues on behalf of the Board. The following are the current committees of the Board:

    (a) the Audit Committee, consisting of not less than three directors, each of whom must be an "unrelated or "independent" director under applicable securities laws and stock exchange rules. The role of the Audit Committee is to provide oversight of the Corporation's financial management and of the design and implementation of an effective system of internal financial controls as well as to review and report to the Board on the integrity of the financial statements of the Corporation, its subsidiaries and associated companies.

    (b) the Compensation and Corporate Governance Committee, consisting of not less than three directors, each of whom must be an "unrelated" or "independent" director under applicable securities laws and stock exchange rules. The role of the Compensation and Corporate Governance Committee is to:

        (i) develop and monitor the effectiveness of the Corporation's system of corporate governance;

        (ii) establish procedures for the identification of new nominees to the Board and lead the candidate selection process;

        (iii) develop and implement orientation procedures for new directors;

        (iv) assess the effectiveness of directors, the Board and the various committees of the Board;

        (v) ensure appropriate corporate governance and the proper delineation of the roles, duties and responsibilities of management, the Board, and its committees; and

        (vi) assist the Board in setting the objectives for the CEO and evaluating CEO performance.

        (vii) establish a remuneration and benefits plan for directors, senior management and other key employees;

        (viii) review the adequacy and form of compensation of directors and senior management;

        (ix) establish a plan of succession;

        (x) undertake the performance evaluation of the CEO in consultation with the Chair of the Board, if not the CEO; and

        (xi) make recommendations to the Board.

II. COMPOSITION

1. From time to time the Board or an appropriate committee of the Board shall review the size of the Board to ensure that the size facilitates effective decision-making.
2. The Board shall be composed of a majority of directors who qualify as "unrelated" or "independent" directors under applicable securities laws and applicable stock exchange rules. The determination of whether an individual director is "unrelated" or "independent" is the responsibility of the Board.
3. If at any time the Corporation has a shareholder with the ability to exercise a majority of the votes for the election of the Board (a "Significant Shareholder"), the Board will include a number of directors who do not have interests in or relationships with either the Corporation or such Significant Shareholder and who fairly reflects the investment in the Corporation by shareholders other than such Significant Shareholder.
4. The Board should, as a whole, have the following competencies and skills:
   (a) knowledge of the security industry;
   (b) knowledge of current corporate governance standards;
   (c) technical and market knowledge sufficient to understand the challenges and risks associated with the development of the Corporation; and
   (d) financial and accounting expertise.

III. PROCEDURES TO ENSURE EFFECTIVE OPERATION

1. The Board recognizes the importance of having procedures in place to ensure the effective and independent operation of the Board.
2. If the Chair of the Board is not a member of management, the Chair shall be responsible for overseeing that the Board discharges its responsibilities. If the Chair is a member of management, responsibility for overseeing that the Board discharges its responsibility shall be assigned to a non-management director.
3. The Board has complete access to the Corporation's management. The Board shall require timely and accurate reporting from management and shall regularly review the quality of management's reports.
4. An individual director may engage an external adviser at the expense of the Corporation in appropriate circumstances. Such engagement is subject to the approval of the Corporate Governance and Nominating Committee.
5. The Board shall provide an orientation and education program for new recruits to the Board as well as continuing education on topics relevant to all directors.
6. The Board shall institute procedures for receiving shareholder feedback.
7. The Board requires management to run the day-to-day operations of the Corporation, including internal controls and disclosure controls and procedures.
8. The Board sets appropriate limits on management's authority. Accordingly, the following decisions require the approval of the Board:
   (a) the approval of the annual and quarterly (unless delegated to the Audit Committee) financial statements;
   (b) the approval of the annual budget;
   (c) any equity or debt financing, other than debt incurred in the ordinary course of business such as trade payables;
   (d) entering into any license, strategic alliance, partnership or other agreement outside the ordinary course of business;
   (e) the acquisition and assignment of material assets (including intellectual property and fixed assets) outside of the ordinary course of business;
   (f) the creation of subsidiaries;

(g) the creation of new Company bank accounts;

(h) payment of dividends;

(i) proxy solicitation material;

(j) projected issuances of securities from treasury by the Corporation as well as any projected redemption of such securities;

(k) any material change to the business of the Corporation;

(l) the appointment of members on any committee of the Board;

(m) capital expenditures in excess of 10% outside of the annual budget;

(n) entering into any professional engagements where the fee is likely to exceed 10% outside of the annual budget.

(o) entering into any arrangements with banks or other financial institutions relative to borrowing (either on a term or revolving basis) of amounts in excess of 10% outside the annual budget;

(p) entering into any guarantee or other arrangement such that the Corporation is contingently bound financially or otherwise in excess of 10% other than product guarantees outside the annual budget;

(q) the appointment or discharge of any senior officer of the Corporation;

(r) entering into employment contracts with any senior officers; and

(s) initiating or defending any law suits or other legal actions.

9. The Board, together with the CEO and with the assistance of the Corporate Governance and Compensation Committee, shall develop position descriptions for the CEO. The Board, together with the CEO, shall also approve or develop the corporate objectives that the CEO is responsible for meeting and the Board shall assess the CEO against these objectives.

SCHEDULE B
AUDIT COMMITTEE CHARTER

I. Purpose of Audit Committee of Avigilon Corporation (the "Corporation")

The purpose of the Audit Committee (the "**Committee**") is to:

1. Assist the Board of Directors of the Corporation (the "**Board**") in fulfilling its oversight responsibilities relating to:
   - (a) the quality and integrity of the Corporation's financial statements, financial reporting process and systems of internal controls and disclosure controls regarding risk management, finance, accounting, and legal and regulatory compliance;
   - (b) the independence and qualifications of the Corporation's independent accountants and review of the audit efforts of the Corporation's independent accountants; and
   - (c) the development and implementation of policies and processes regarding corporate governance matters.
2. Provide an open avenue of communication between the independent accountants, the Corporation's financial and senior management and the Board.
3. Prepare any reports required to be prepared by the Committee pursuant to the rules of any stock exchange on which the Corporation's shares are listed and pursuant to the rules of any securities commission or other regulatory authority having jurisdiction, whether for inclusion in the Corporation's annual proxy statement or otherwise.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section VII below of this Charter.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate or are in accordance with generally accepted accounting principles, accounting standards, or applicable laws and regulations. This is the responsibility of management of the Corporation and the Corporation's independent accountants, as well as any advisors employed by the Committee. Because the primary function of the Committee is oversight, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the Corporation's independent accountants and the integrity and accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities. Nothing in this Charter is intended to change the responsibilities of management and the independent accountants.

II. Composition

The Committee shall be composed of at least three directors, each of whom the Board has determined has no material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of such director's independent judgement, and who otherwise satisfies the definition of "independent" as set forth by National Instrument 52-110 – Audit Committees ("**NI 52-110**") and any other applicable securities laws, rules or requirements of any stock exchange upon which the Corporation's securities are listed as in effect from time to time.

All members of the Committee must be financially literate, meaning that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. A director who is not financially literate may be appointed to the committee, provided that such director becomes financially literate within a reasonable period of time following such appointment.

If any member of the Committee ceases to be "independent", as defined by the applicable securities laws and exchange requirements, including NI 52-110, for reasons outside that member's reasonable control, that member may remain an audit committee member until the earlier of the next annual meeting of the shareholders or the date that is six months from the occurrence of the event that caused that member to no longer be independent.

III. Authority

The Committee shall have the authority to (i) retain (at the Corporation's expense) its own legal counsel, accountants and other advisors that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities; (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities; and (iii) take whatever actions that it deems appropriate to foster an internal culture that is committed to maintaining quality financial reporting, sound business risk practices and ethical behaviour within the Corporation. In addition, the Committee shall have the authority to request any officer, director, employee or consultant of the Corporation, the Corporation's outside legal counsel and the independent accountants to meet with the Committee and any of its advisors and to respond to their inquiries. The Committee shall have full access to the books, records and facilities of the Corporation in carrying out its responsibilities. Finally, the Board shall adopt resolutions which provide for appropriate funding, as determined by the Committee, for (i) services provided by the independent accountants in rendering or issuing an audit report; (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities; or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

The Committee shall be responsible for establishing procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submissions by employees of the Corporation regarding questionable accounting or auditing matters.

The Committee shall review the reports of the Chief Executive Officer and Chief Financial Officer (in connection with their required certifications for the Corporation's filings under any applicable securities laws) regarding any significant deficiencies or material weaknesses in the design of operation of internal controls and any fraud that involves management or other employees of the Corporation who have a significant role in managing or implementing the Corporation's internal controls. During this review, the Committee should evaluate whether the internal control structure, as created and as implemented, provides reasonable assurances that transactions are recorded as necessary to permit the Corporation's external auditors to reconcile the Corporation's financial statements in accordance with applicable securities laws.

The Committee, in its capacity as a committee of the Board, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountants engaged (including resolution of disagreements between the Corporation's management and the independent accountants regarding financial reporting) for the purpose of preparing and issuing an audit report or performing other audit, review or attest services for the Corporation.

The independent accountants shall submit to the Audit Committee annually a formal written statement delineating all relationships between the independent accountants and the Corporation and its subsidiaries, addressing the non-audit services provided to the Corporation or its subsidiaries and the matters set forth in or required by the rules and regulations of all relevant regulatory authorities.

The independent accountants shall submit to the Audit Committee annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent accountants (i) the audit of the Corporation's annual financial statements for the most recent fiscal year and any reviews of the financial statements; (ii) information technology consulting services for the most recent fiscal year, in the aggregate and by each service (and separately identifying fees for such services relating to financial information systems design and implementation); and (iii) all other services rendered by the independent accountants for the most recent fiscal years, in the aggregate and by each service.

IV. Appointing Members

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy or the Committee no longer has a member who is an "audit committee financial expert" as a result of the vacancy.

V. Chairperson

The Board, or in the event of its failure to do so, the members of the Committee, must appoint a Chairperson from the members of the Committee. If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board. All requests for information from the Corporation or the independent accountants shall be made through the Chairperson.

VI. Meetings

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
2. The Committee shall meet at least quarterly (or more frequently as circumstances dictate); and
3. Notice of the time and place of every meeting shall be given in writing or by electronic communication to each member of the Committee and the external auditors of the Corporation at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

VII. Specific Duties

In meeting its responsibilities, the Committee is expected to:

1. Select and recommend to the Board the independent accountants for the Corporation, considering independence and effectiveness, approve all audit and non-audit services in advance of the provision of such services and the fees and other compensation to be paid to the independent accountants, and oversee the services rendered by the independent accountants (including the resolution of disagreements between management and the independent accountants regarding preparation of financial statements) for the purpose of preparing or issuing an audit report or related work, and the independent accountants shall report directly to the Committee;
2. To pre-approve any non-audit services to be provided to the Corporation by the external auditor and the fees for those services;
3. Review the performance of the independent accountants, including the lead partner of the independent accountants, and, in its sole discretion, approve any proposed discharge of the independent accountants when circumstances warrant, and appoint any new independent accountants;
4. Periodically review and discuss with the independent accountants all significant relationships the independent accountants have with the Corporation to determine the independence of the independent accountants, including a review of service fees for audit and non-audit services;
5. Review and approve the issuer's hiring policies from time to time regarding partners, employees and former partners and employees of the present and former external auditor of the issuer;
6. Inquire of management and the independent accountants and evaluate the effectiveness of the Corporation's process for assessing significant risks or exposures and the steps management has taken to monitor, control and minimize such risks to the Corporation. Obtain annually, in writing, the letters of the independent accountants as to the adequacy of such controls;
7. Consider, in consultation with the independent accountants, the audit scope and plan of the independent accountants;
8. Review with the independent accountants the coordination of audit effort to assure completeness of coverage, and the effective use of audit resources;

9. Consider and review with the independent accountants, out of the presence of management:

   (a) the adequacy of the Corporation's internal controls and disclosure controls including the adequacy of computerized information systems and security;

   (b) the truthfulness and accuracy of the Corporation's financial statements; and

   (c) any related significant findings and recommendations of the independent accountants together with management's responses thereto;

10. Following completion of the annual audit, review with management and the independent accountants:

    (a) the Corporation's annual financial statements and related footnotes;

    (b) the independent accountants' audit of the financial statements and the report thereon;

    (c) any significant changes required in the independent accountants' audit plan; and

    (d) other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards;

11. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

12. Establish regular and separate systems of reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments;

13. In consultation with the independent accountants, review any significant disagreement among management and the independent accountants in connection with the preparation of the financial statements, including management's responses;

14. Consider and review with management:

    (a) significant findings during the year and management's responses thereto; and

    (b) any changes required in the planned scope of their audit plan;

15. Review, prior to publication, all filings with regulatory authorities and any other publicly disclosed information containing the Corporation's financial statements, including Management's Discussion & Analysis, any certification, report, opinion or review rendered by the independent accountants, any press releases announcing earnings (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles) and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements;

16. Facilitate the preparation and inclusion of any report from the Committee or other disclosures as required by applicable laws and regulations in the Corporation's annual proxy statement or other filings of all regulatory authorities having jurisdiction;

17. Review with management the adequacy of the insurance and fidelity bond coverages, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Corporation, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation;

18. Review with management and the independent accountants each annual, quarterly and other periodic report prior to its filing with the relevant regulators or prior to the release of earnings;

19. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent accountants;

20. Review, with the Corporation's counsel, any legal, tax or regulatory matter that may have a material impact on the Corporation's financial statements, operations, related Company compliance policies, and programs and reports received from regulators;
21. Evaluate and review with management the Corporation's guidelines and policies governing the process of risk assessment and risk management;
22. Meet with the independent accountants and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee;
23. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate;
24. Maintain, review and update the procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, as set forth in Annex A attached to this Charter;
25. Review, assess and update this Charter on an annual basis and recommend any proposed changes to the Board for approval, in accordance with the requirements of the all applicable laws; and
26. Perform such other functions consistent with this Charter, the Corporation's Articles and governing law, as the Committee deems necessary or appropriate.

ANNEX A

PROCEDURES FOR THE SUBMISSION OF COMPLAINTS AND CONCERNS REGARDING ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR AUDITING MATTERS

1. Avigilon Corporation (the "**Corporation**") has designated its Audit Committee of its Board of Directors (the "**Committee**") to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Corporation or the Committee directly regarding accounting, internal accounting controls, or auditing matters.

2. Any employee or consultant of the Corporation may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as "Confidential" or "To be opened by Committee only". If an employee or consultant would like to discuss the matter directly with a member of the Committee, the employee or consultant should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:

   Avigilon Corporation
   c/o Audit Committee
   Attn: Lead Director
   c/o 2900 – 550 Burrard Street
   Vancouver, British Columbia
   V6C 0A3

3. Any complaints received by the Corporation that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.

4. At each meeting of the Committee, or any special meetings called by the Chairperson of the Committee, the members of the Committee will review and consider any complaints or concerns submitted by employees as set forth herein and take any action it deems necessary in order to respond thereto.

5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven (7) years.

INDEPENDENT AUDITOR'S CONSENT

We have read the prospectus of Avigilon Corporation (the "**Corporation**") dated ● , 2011 qualifying the distribution of ● common shares of the Corporation and the offering of common shares by certain existing Shareholders of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at December 31, 2010 and the consolidated statements of operations and comprehensive income and cash flows for the year ended December 31, 2010. Our report is dated June 1, 2011.

Vancouver, British Columbia
● , 2011

Chartered Accountants

INDEPENDENT AUDITOR'S CONSENT

We have read the prospectus of Avigilon Corporation (the "**Corporation**") dated ● , 2011 qualifying the distribution of ● common shares of the Corporation and the offering of common shares by certain existing shareholders of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2008 and December 31, 2009, respectively, and the consolidated statements of operations and deficit and cash flows for the years then ended December 31, 2008 and December 31, 2009, respectively. Our report is dated March 19, 2010 (except as to Note 4 which is as at September 19, 2011).

Vancouver, British Columbia
● , 2011 Chartered Accountants

CERTIFICATE OF THE CORPORATION

September 20, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

AVIGILON CORPORATION

By: (Signed) ALEXANDER FERNANDES President and Chief Executive Officer	By: (Signed) WAN JUNG Chief Financial Officer

On Behalf of the Board of Directors:

By: (Signed) BRUCE MARGINSON Director	By: (Signed) HARRY JAAKO Director

CERTIFICATE OF THE PROMOTERS

September 20, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

By: (Signed) ALEXANDER FERNANDES

By: (Signed) WAN JUNG

CERTIFICATE OF THE UNDERWRITERS

September 20, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

RAYMOND JAMES LTD.

By: (Signed) JIMMY LEUNG
Managing Director

BMO NESBITT BURNS INC.

By: (Signed) DAVID WISMER
Managing Director

GMP SECURITIES L.P.

By: (Signed) ANDREW KIGUEL
Managing Director

avigilon

end-to-end surveillance system

large, growing market

strong momentum

avigilon

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avigilon.com