Viscount Systems, Inc. OTC Pink report

1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

VISCOUNT SYSTEMS, INC.

2) Address of the issuer's principal executive offices

Company Headquarters
Address 1: 4585 Tillicum Street, Burnaby, British Columbia, Canada
Address 2: _____
Address 3: _____
Phone: (604) 327 - 9446
Email: _____
Website(s): www.viscount.com

IR Contact
Address 1: _____
Address 2: _____
Address 3: _____
Phone: _____
Email: _____
Website(s): _____

3) Security Information

Trading Symbol: VSYS
Exact title and class of securities outstanding: common stock
CUSIP: 92829M107
Par or Stated Value: $ 0.001
Total shares authorized: 3,000,000,000 as of: November 14, 2016
Total shares outstanding: 130,297,236 as of: November 14, 2016

Additional class of securities (if necessary):
Trading Symbol: _____
Exact title and class of securities outstanding: _____
CUSIP: _____
Par or Stated Value: _____
Total shares authorized: _____ as of: _____
Total shares outstanding: _____ as of: _____

Transfer Agent
Name: Pacific Stock Transfer Co.
Address 1: 6725 Via Austi Pkwy Suite 300 Las Vegas, NV 89119
Address 2: _____
Address 3: _____
Phone: (702) 361-3033
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

4) Issuance History

Common Stock **September 30 2016** **BASIC SHARES OUTSTANDING**

SHARES OUTSTANDING

Shares registered at Nevada

			TOTAL O/S
31-Dec-13			97,075,003
11-Mar-14	Private Placement for $750K	**8,333,329**	105,408,332
27-Mar-14	Private Placement for $1,485,200	**16,502,220**	121,910,552
31-Mar-14	Private Placement for $25,000	**277,778**	122,188,330
2-Apr-14	Conversion of 125A shares by MKM	**3,071,253**	125,259,583
20-May-14	Shares to investors of May 17, 22, 2014 - rachet shares	**749,998**	126,009,581
18-Feb-15	Ned Siegel - addn cs due to Geoff Arens Financing	**15,950**	126,025,531
18-Feb-15	Florescue Family Corp - addn cs due to Geoff Arens Financing	**21,705**	126,047,236
19-May-15	Restricted Common Stock issued to the board	**4,250,000**	**130,297,236**

5) Financial Statements

PART I. FINANCIAL INFORMATION

Safe Harbor Statement

Certain statements in this filing that relate to financial results, projections, future plans, events, or performance are forward-looking statements and involve significant risks and uncertainties, including, but not limited to, the following: competition, promotional costs, and risk of declining revenues. Terms such as “we believe”, “we expect” or “we project”, and similar terms, are examples of forward looking statements that we may use in this report. Such statements also relate to the sales trends of our Enterphone 2000, EPX (previously named Enterphone 3000), Freedom, Liberty, and MESH product lines, general revenues, income, the number of new construction projects or building upgrades that may generate sales of our products, and in general the market for our products. Any projections herein are based solely on our management’s views, and were not prepared in accordance with any accounting guidelines applicable to projections. Accordingly, these forward-looking statements are intended to provide the reader with insight into our management’s proposals, expectations, strategies and general outlook for our business and products, but because of the risks associated with those statements, including those described herein and in our annual report, readers should not rely upon those statements in making an investment decision. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of a number of factors. These forward-looking statements are made as of the date of this filing, and the Company assumes no obligation to update such forward-looking statements. As used herein, the “Company”, “Viscount”, “we”, “us”, “our” and words of similar meaning refer to Viscount Systems, Inc.

The following discusses our financial condition and results of operations based upon our consolidated financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America. It should be read in conjunction with our financial statements and the notes thereto included elsewhere herein. Unless otherwise noted as USD or U.S. dollars, all dollar references herein are in Canadian dollars. As at September 30, 2016, the foreign exchange rate certified by the Federal Reserve Bank of New York was CAD$1.3117 for USD$1.0000 or CAD$1.0000 for USD$0.7624.

Part I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

		September 30, 2016		December 31, 2015
Assets				
Current Assets				
Cash	$	66,572	$	250,270
Short term investments		55,000		55,000
Trade accounts receivable, net		583,798		506,264
Prepaid expenses		40,120		31,791
Inventory		260,042		569,796
Current assets held for sale		41,329		59,317
Total Current Assets		1,046,861		1,472,438
Equipment		142,900		162,332
Deposits		1,391		8,391
Long-term assets held for sale		15,428		18,151
Total Assets	$	1,206,580	$	1,661,312
Liabilities and Stockholders' Deficit				
Current Liabilities				
Accounts payable	$	1,136,941	$	900,211
Accrued liabilities		432,460		532,003
Capital lease obligation - current portion		13,860		16,348
Deferred revenue		77,708		47,780
Due to related parties		218,712		91,683
Loans payable		114,536		114,536
Interest payable - Convertible Debt		2,639,106		373,841
Notes liability - Convertible Debt		3,305,101		3,491,802
Derivative liabilities		5,302,695		4,383,668
Convertible redeemable preferred stock		270,926		269,880
Total Current Liabilities		13,512,045		10,221,752
Capital lease obligation - non-current		-		9,647
Total Liabilities		13,512,045		10,231,399
Commitments and contingencies				
Convertible redeemable preferred stock - US$0.001 par value; 20,000,000 shares authorized: Series A convertible redeemable preferred stock, stated value $1,000, 138 and 130 shares outstanding at September 30, 2016 and December 31, 2015, respectively; aggregate liquidation preference of $137,876 and $130,000 as of September 30, 2016 and December 31, 2015, respectively				
Stockholders' Deficit				
Series B Preferred Stock, Par Value $0.001 Per Share. 50 shares outstanding		1		1
Common stock, par value US$0.001 per share, 3,000,000,000 shares authorized: 130,297,236 shares issued, 130,297,236 shares outstanding as of September 30, 2016, and December 31, 2015		130,297		130,297
Additional paid-in capital		7,671,315		7,558,416
Accumulated deficit		(20,107,078)		(16,258,801)
Total Stockholders' Deficit		(12,305,465)		(8,570,087)
Total Liabilities and Stockholders' Deficit	$	1,206,580	$	1,661,312

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

VISCOUNT SYSTEMS, INC.
Condensed Consolidated Statements of Operations
(Expressed in Canadian dollars)
For the three and nine months ended September 30, 2016 and 2015
(Unaudited)

	Three months ended September 30,		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
Sales	$ 1,105,744	$ 912,136	$ 3,115,205	$ 3,800,541
Cost of sales	540,489	395,857	1,448,734	1,526,569
Gross profit	565,255	516,279	1,666,471	2,273,972
			53%	60%
Operating expenses:				
Selling, general and administrative	626,051	853,480	2,193,235	2,586,929
Research and development	203,127	233,211	658,520	632,614
Total operating expenses	829,178	1,086,691	2,851,755	3,219,543
	57%	94%	70%	68%
Operating loss	(263,923)	(570,412)	(1,185,284)	(945,571)
Other income (expense):				
Interest income	90	6	7	24
Interest expense	(916,520)	(6,049)	(2,305,657)	(61,933)
Loss on settlement of convertible note	-	-	-	(63,324)
Foreign Exchange Gain on Revaluation of Notes Liabilitiy	(25,228)	-	186,702	
Amortization of debt discount	-	-	-	(47,087)
Change in fair value of derivative liabilities	61,609	41,534	259,996	2,808,281
Change in fair value of derivative notes liabilities	(1,945,739)	-	(1,162,518)	
	(2,825,788)	35,491	(3,021,470)	2,635,961
(Loss) Income from continuing operations	(3,089,711)	(534,921)	(4,206,754)	1,690,390
Income from discontinued operations of servicing business, net of tax	89,886	147,657	358,477	360,176
Net (loss) income	(2,999,825)	(387,264)	(3,848,277)	2,050,566
Preferred stock:				
Series A convertible - contractual dividends	(3,090)	(37,765)	(11,007)	(82,414)
Series A convertible - deemed dividends	(7,455)	(2,010,330)	(1,046)	(2,010,330)
Net (loss) income attributable to common stockholders	$ (3,010,370)	$ (2,435,359)	$ (3,860,330)	$ (42,178)
Per share data:				
Continuing operations	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.00)
Discontinued operations	$ 0.00	$ (0.02)	$ 0.00	$ 0.00
Weighted average number of shares of common stock outstanding:				
Basic and diluted	130,297,236	126,082,043	130,297,236	126,040,891

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

VISCOUNT SYSTEMS, INC.
Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	For the Nine months ended:	
	September 30, 2016	**September 30, 2015**
Operating Activities		
Net income (loss)	$ (3,848,277.00)	$ 2,050,566.00
Adjustments to reconcile net loss to net cash used in operating activities:		
Income from discontinued operations	(358,477)	(360,176)
Depreciation and amortization	29,034	32,123
Recovery of Provision for uncollectible receivables	(60,203)	(66,606)
Recovery of Provision for inventory obsolescence	(188,465)	-
Change in fair value of derivative liabilities	902,522	(2,808,281)
Stock based compensation	81,850	68,539
Foreign exchange gain on revaluation of notes liability	(186,701)	
Fair value of warrants issued	5,498	-
Original issue discount on convertible debt		18,750
Loss on settlement of convertible debt		63,324
Amortization of debt discount	-	47,087
Changes in operating assets and liabilities:		
Accounts receivable	(17,331)	(200,505)
Inventory	498,219	(27,291)
Prepaid expenses	(8,329)	(4,387)
Deposits	7,000	(7,000)
Accounts payable	236,730	608,101
Accrued liabilities	(56,441)	(13,619)
Notes interest payable	2,265,265	
Deferred revenue	29,928	35,307
Due to related parties	127,029	7,610
Net Cash used in operating activities from continuing operations	(541,149)	(556,457)
Net Cash provided by operating activities from discontinuing operations	379,188	389,672
Net Cash used in operating activities	(161,961)	(166,785)
Cash Flows from Investing Activities		
Purchase of property and equipment	(9,602)	(5,480)
Net cash used in investing activities	(9,602)	(5,480)
Net Cash used in Financing Activities		
Capital lease payments	(12,135)	(7,630)
Proceeds from issuance of convertible note	-	197,500
Payment of deferred financing costs	-	(5,000)
Repayment of convertible note	-	(211,250)
Proceeds from sale of common stock and warrants	-	3,050
Proceeds from sale of preferred stock	-	234,000
Net cash (used in) provide by financing activities	(12,135)	210,670
(Decrease) increase in cash	(183,698)	38,405
Cash, beginning of period	250,270	135,308
Cash, end of period	$ 66,572	$ 173,713

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

VISCOUNT SYSTEMS, INC.

Condensed Consolidated Statements of Cash Flows, continued

(Expressed in Canadian dollars)

For the Nine Months Ended September 30, 2016 and 2015

(Unaudited)

	For the Nine months ended:	
	September 30, 2016	**September 30, 2015**
Supplementary Information:		
Interest paid	$ 41,577	$ 43,183
Non-cash investing and financing activities:		
Fair value of preferred shares issued as dividends	$ 11,007	$ 82,414
Litigation liability settled to APIC	$ 43,102	
Unvested common stock issued to board members		$ 4,250
Fair value on embedded conversion option from Series A share	$ -	$ 373,184
Series A convertible - deemed dividends	$ (1,046)	$ (2,010,330)

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

1. Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions for Form 10-Q and from Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for a complete set of annual financial statements. These financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company filed on Form 10-K for the year ended December 31, 2015. The operating results for the periods presented are not necessarily indicative of the results that will occur for the year ending December 31, 2016 or for any other period.

The financial information as of September 30, 2016 and for the three and six months ended September 30, 2016 and 2015 is unaudited; however, such financial information includes all adjustments, consisting solely of normal recurring adjustments, which, are necessary for the fair presentation of the financial information in conformity with U.S. GAAP.

2. Nature of operations and going concern

Viscount Systems, Inc. (the "Company") was incorporated on May 24, 2001 in the State of Nevada. The Company manufactures, distributes, and provides services for electronic premises access and security equipment primarily through its wholly owned Canadian subsidiary, Viscount Communication and Control Systems Inc.

The Company's legacy business consists of products and services for high rise residential and office buildings, generally described as telephone access. These products allow visitors to contact tenants or offices via a lobby device to gain entry. The Company has various brands in this marketplace, with high end products called MESH, and lower cost products called Enterphone, selling through dealers in Canada and the United States.

The Company's Freedom Access Control software solution ("Freedom") controls entry doors throughout a business, hospital, school, or other buildings, and prevents entry by persons unknown or staff attempting to enter at the wrong time of day.

As of September 30, 2016, the Company has an accumulated deficit of $20,107,078, a working capital deficit of $12,465,184 and reported a net loss of $2,999,825 and $3,848,277 for the three and nine months ended September 30, 2016, respectively. These factors raise substantial doubt about the ability of the Company to continue operations as a going concern.

Based on its current financial position, the Company could be required to fund its operations on a month-to-month basis. The Company recognizes it will need to raise additional capital in order to fund operations, meet its payment obligations and execute its business plan. Although management is confident that the Company can access sufficient working capital to maintain operations and ultimately generate positive cash flows from operations, the ability to sustain the current level of operations is dependent upon growing sales and achieving sustainable profits. There is no assurance that additional financing will be available when needed or that management will be able to obtain financing on terms acceptable to the Company and whether the Company will become profitable and generate positive operating cash flow. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables and reduce overhead until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. If the Company is unable to obtain financing on a timely basis, the Company could be forced to sell its assets and discontinue its operations.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the condensed consolidated financial statements do not necessarily represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Significant accounting policies

The significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation
The condensed consolidated financial statements include accounts and results of the Company and its wholly-owned subsidiary, Viscount Communication and Control Systems Inc. ("VCCS"). Intercompany transactions and balances have been eliminated on consolidation.

(b) Use of estimates
Management has made a number of estimates and judgments relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in order to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant areas involving estimates include the allowance for doubtful accounts, inventory obsolescence, the provision for future warranty costs, the estimated useful lives of equipment and intangible assets, the deferred tax valuation allowance, and assumptions used to determine the fair value of equity instruments, stock-based compensation and derivative liabilities. Actual results could differ materially from those estimates.

(c) Reportable segment
Prior to January 1, 2016, the Company organized its business into two reportable segments: manufacturing and servicing. The manufacturing segment designs, produces and sells intercom and door access control systems that utilize telecommunications to control access to buildings and other facilities for security purposes. The servicing segment provides maintenance to these intercom and door access control systems. As a result of the Company's decision to sell its servicing business, the Company plans to discontinue its servicing business and operate in one segment, the manufacturing business. During the three and nine months ended September 30, 2016, the Company has reclassified its servicing business as a discontinued operation on the accompanying condensed consolidated financial statements (see Note 13).

(d) Discontinued operations
The Company accounted for its decision to sell its servicing business as discontinued operations which requires that only a component of an entity or a group of components of an entity, that represents a strategic shift that has, or will have, a major effect on the reporting entity's operations that has been disposed of or is classified as held for sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as assets held for sale and discontinued operations. In the period a component of an entity has been disposed of or classified as held for sale, the results of operations for the periods presented are reclassified into separate line items in the statements of operations. Assets and liabilities are also reclassified into separate line items on the related balance sheets for the periods presented. The statements of cash flows for the periods presented are also reclassified to reflect the results of discontinued operations as separate line items.

(e) Foreign currency translation
The functional and reporting currency of the Company and its wholly-owned subsidiary is the Canadian dollar. Accordingly, the financial statements are presented in Canadian dollars unless otherwise specified. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date while non-monetary assets and liabilities denominated in a foreign currency are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of operations and comprehensive

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

loss. Exchange gains or losses arising on translation of foreign currency items are included in the statement of operations and comprehensive loss.

(f) Allowance for doubtful accounts
Accounts receivable are shown net of an allowance for doubtful accounts of $37,046 and $97,249 as of September 30, 2016 and December 31, 2015, respectively. The Company's management has established an allowance for doubtful accounts sufficient to cover probable and reasonably estimable losses. The nature of the business is that the majority of the payments are made net 30 days after the product is delivered. If the financial conditions of customers were to materially deteriorate, an increase in the allowance amount could be required. The allowance for doubtful accounts considers a number of factors, including collection experience, current economic trends, estimates of forecasted write-offs, aging of the accounts receivable, and other factors.

(g) Net loss per share of common stock
Basic net earnings (loss) per share is computed by dividing net earnings (loss) attributable to holders of the Company Common Stock, par value $0.001("Common Stock") by the weighted average number of common shares outstanding during the period. Diluted net earnings per share reflects the potential dilution that could occur if securities or other instruments to issue Common Stock were exercised or converted into Common Stock. Potentially dilutive securities are excluded from the computation of diluted net earnings per share if their inclusion would be anti-dilutive and consist of the following:

	September 30	
	2016	**2015**
Warrants	49,597,132	82,705,128
Options	14,641,450	12,072,075
Series A preferred stock	5,499,290	24,355,408
Series A Demand Notes and Series B Demand Notes and accrued interest	5,041,736,680	-
Total potentially dilutive shares	5,111,474,552	119,129,611

(h) Sequencing Policy

The Company has adopted a sequencing policy that reclassifies contracts from equity to assets or liabilities for those with the earliest inception date first. Future issuances of securities will be evaluated as to reclassification as a liability under the sequencing policy which will take the earliest date first until either all of the Common Stock underlying the Company's Series A Convertible Redeemable Preferred Stock, ("Series A Shares"), are settled or expired.

(i) Recently issued accounting pronouncements

In March 2016, the FASB issued ASU, No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016. This guidance can be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its condensed consolidated financial statements.

(Expressed in Canadian dollars)

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10"). ASU 2016-10 clarifies two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The update is effective for annual periods beginning after December 15, 2017 including interim reporting periods therein. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which further amended ASU 2016-09 by providing additional clarity in recognizing revenue from contracts that have been modified prior to the transition period to the new standard, as well as providing additional disclosure requirements for businesses and other organizations that make the transition to the new standard by adjusting amounts from prior reporting periods via retrospective application. The Company is currently evaluating the impact of this standard on its condensed consolidated financial statements.

There are other various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

4. Accounts Receivable Factoring

As of September 30, 2016, invoices totaling an aggregate of $801,005 had been factored. Some of the Company's accounts receivables are purchased by the financing company on a recourse basis. Accordingly, the accounts receivables are retained on the Company's balance sheet while advances from the financing company are recorded as accrued liabilities. Discounts provided and interest charged related to factoring of the accounts receivable totaled $20,326 and $35,071 have been expensed on the three months ended and nine months ended September 30, 2016 accompanying condensed consolidated statements of operations as interest expense.

5. Inventory

Inventory consists of the following:

	September 30, 2016	December 31, 2015
Raw materials	$499,827	$806,659
Work in process	28,907	88,682
Finished goods	129,407	261,018
Sub total	658,141	1,156,359
Reserve for obsolescence and shrinkage	(398,098)	(586,563)
Total	$260,042	$569,796

6. Due to Related Parties

Amounts due to directors for consulting fees and travel expenses totaled $218,712 and $91,683 as of September 30, 2016 and December 31, 2015, respectively.

7. Series A Convertible Redeemable Preferred Stock

As the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 was not timely filed with the SEC (a "Redemption Event"), the Company is required to redeem its Series A convertible redeemable preferred stock (the "Series A Shares") for 150% of their value if holders of 10% of the Stated Value (as defined in the Company's Certificate of Designation, Preferences and Rights of the Series A Shares, as amended (the

7. Series A Convertible Redeemable Preferred Stock (continued)

"Certificate")) of the Series A Shares provide the Company with a written notice of redemption within sixty days after the Redemption Event becomes known to such holders (a "Redemption Request"). Accordingly, the Company has recorded a $1,046 deemed dividend in order to true up the Series A Shares up to its redemption value (150% of the stated value) in the quarter ended September 30, 2016. As of September 30, 2016, and December 31, 2015, total Convertible redeemable preferred stock balance is $270,926 and $269,880, respectively, on the condensed consolidated balance sheet.

During the nine months ended September 30, 2016, the Company issued 8 Series A Shares representing Series A quarterly dividends. The embedded conversion options associated with the Series A Shares were valued using the Binomial Lattice model as they were denominated in USD currency and not in the Company's reporting currency. The embedded conversion options associated with the Series A Shares were valued at $11,007 and $82,414 as of September 30, 2016 and 2015, respectively, and recorded as a derivative liability in the accompanying condensed consolidated financial statements.

As of September 30, 2016, and December 31, 2015, there were 138 and 130 Series A Shares outstanding, respectively. The convertible redeemable preferred stock balance total of $270,926 and $269,880 were recorded in the condensed consolidated balance sheet as a liability at September 30, 2016 and December 31, 2015, respectively, as they are subject to mandatory redemption.

8. Notes Liability – Convertible Debt

The Company's notes liability consists of Senior Secured Convertible Demand Promissory A Notes and Senior Secured Convertible Demand Promissory B Notes for which the conversion features were bifurcated and are being classified as a derivative liability, which is marked-to-market each reporting period. ("Series A and B Demand Notes").

Notes liability balance – Convertible Debt

As of September 30, 2016, the Company revalued the US currency denominated notes liability of the Series A and B Demand Notes at the September 30, 2016 exchange rate and recorded a foreign currency exchange gain of $186,702 on the accompanying condensed consolidated statement of operations. During the three months ended September 30, 2016, the Company revalued the US currency denominated notes liability of the Series A and B Demand Notes, and recorded a foreign currency exchange loss of $25,228.

As of December 31, 2015, and September 30, 2016, the Series A and B Demand Notes liability balance revalued in CAD is $3,491,802 and $3,305,101, respectively.

Interest payable – Convertible Debt

During the nine months ended September 30, 2016, the Company's Interest payable – Convertible Debt includes Payment in Kind ("PIK") interest accrued on the Series A and B Demand Notes in the amount of US $1,353,672 (CAD $1,759,774) and US $390,797 (CAD $504,306), respectively. During the three months ended September 30, 2016, the PIK interest accrued to the Series A and B Demand Notes holders, were $682,014 and $212,182, respectively. These amounts have been recorded as interest expense in the accompanying condensed consolidated statements of operations during the three months ended September 30, 2016.

As of September 30, 2016, the Company revalued the US currency denominated interest payable balance at the September 30, 2016 exchange rate. Interest payable amounted to $2,639,106 and $373,841 at September 30, 2016 and December 31, 2015, respectively.

9. Reservation of Authorized Shares

The Series A Demand Note and Series B Demand Note also require the Company to reserve from its authorized shares of Common Stock a number of shares of Common Stock sufficient to convert all of the Series A Demand Note and Demand B Note into shares of Common Stock. In order to do so, the Company has covenanted to increase its authorized shares of Common Stock to 3,000,000,000 shares as soon as possible. If the Company is unable to satisfy this covenant, the Company will owe to the note holders an amount equal to 2% of the aggregate principal amount of the Series A Demand Note and Series B Demand Note plus all accrued but unpaid interest. On July 28, 2016, the Company's 2016 Annual Meeting of Stockholders, a majority of the stockholders approved the share increase.

10. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, short-term investments, trade accounts receivable, accounts payable, accrued liabilities, capital lease obligations, due to related parties and loans payable. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These fair value measurements apply to all financial instruments that are measured and reported on a fair value basis.

Based on the observability of the inputs used in the valuation techniques, financial instruments are categorized according to the fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 — Observable inputs such as quoted prices in active markets.
Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The assessed level that a financial asset or liability will carry is determined by the Company's Principal Financial Officer under management of the Chief Executive Officer.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the assignment of an asset or liability within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The Company uses Level 3 of the fair value hierarchy to measure the fair value of the derivative liabilities and revalues its derivative liabilities at every reporting period and recognizes gains or losses in the condensed consolidated statements of operations that are attributable to the change in the fair value of the derivative liabilities.

A summary of the Company's Level 3 derivative liabilities for the nine months ended September 30, 2016 is as follows:

(Expressed in Canadian dollars)

10. Fair Value of Financial Instruments (continued)

Balance, December 31, 2015	$	4,383,668
Fair value change of derivative liabilities		902,522
Fair value of embedded conversion options in preferred shares issued as dividends		11,007
Fair value of Warrants issued	$	5,498
Balance, September 30, 2016	$	5,302,695

Fair value change of derivative liabilities

The derivative liabilities consist of fair value of certain share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of the Company, as well as embedded conversion options in the Series A and B Demand Notes and Series A Share dividends.

The fair value of the warrants and embedded conversion options were determined using the Black-Scholes option pricing model and the Binomial Lattice model depending on their characteristics, using the following current market assumptions for the three and nine months ended September 30, 2016 and 2015:

	September 30	
	2016	**2015**
Volatility	128.72% - 233.33%	94.9% - 117%
Risk-free interest rate	0.59% - 1.14%	0.33% - 1.37%
Contractual term	0.25 - 5.00 yrs	0.33 - 5.00 yrs

11. Capital Stock

Stock Options

On January 18, 2016, the Company granted its Principal Financial Officer 200,000 stock options at an exercise price of US$0.01, fully vested at the issuance date and are exercisable for two years unless extended in writing. The options had an aggregate grant date fair value of $1,823, which was recorded as stock based compensation expense on the accompanying condensed consolidated statement of operations during the nine months ended September 30, 2016.

A summary of stock option activity for the nine months ended September 30, 2016, is as follows

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Life In Years**	**Aggregate Intrinsic Value**
Outstanding at January 1, 2016	12,791,450	US$0.08		
Employee Options Granted	3,200,000	US$0.03		
Expired	(1,350,000)	US$0.08		
Outstanding at September 30, 2016	14,641,450	US$0.07	2.66	$ -
Exercisable at September 30, 2016	13,141,450	US$0.07	2.05	$ -

(Expressed in Canadian dollars)

11. Capital Stock (continued)

The Company has computed the fair value of warrants and options granted using the Black-Scholes option pricing model. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The Company estimated forfeitures related to option grants at annual rates ranging from 0% to 5% for options granted during the six months ended September 30, 2016. The expected term used for warrants and options issued to non-employees is the contractual life and the expected term used for options issued to employees is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" employee option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

The fair value of the options granted during the three and six months ended September 30, 2016 and 2015 were determined using the Black-Scholes option pricing model using the following current market assumptions:

	September 30	
	2016	**2015**
Volatility	128.72% - 233.33%	94.9% - 117%
Risk-free interest rate	0.59% - 1.14%	0.33% - 1.37%
Contractual term	0.25 - 5.00 yrs	0.33 - 5.00 yrs

The significant assumptions used during the year to estimate the fair value included an expected term (based on the history of exercises and forfeitures) and volatility (based on the historical volatility with a look-back period equivalent to the expected term).

The weighted average grant date fair value of the options granted during the nine months ended September 30, 2016 and 2015 was US$0.03 and US$0.02 per option, respectively.

A summary of the stock options outstanding and exercisable at September 30, 2016 is as follows:

Exercise Price	Outstanding Number of Options	Exercisable Number of Options	Remaining Contractual Life in years
US$ 0.01	200,000	200,000	1.3
US$ 0.02	1,150,000	400,000	9.0
US$ 0.04	250,000	250,000	4.8
US$ 0.03	3,000,000	3,000,000	2.2
US$ 0.09	10,016,450	10,016,450	2.6
US$ 0.10	25,000	25,000	0.8
	14,641,450	13,891,450	2.66

(Expressed in Canadian dollars)

11. Capital Stock (continued)

During the nine months ended September 30, 2016 and 2015, the Company recorded stock based compensation expense related to the stock options granted to employees of $81,849, and $6,750, respectively. Stock compensation expense for the three months ended September 30, 2016 and 2015 was $2,289 and $6,750, respectively. As of September 30, 2016, the Company has unamortized compensation expense of $5,583 to be amortized over 9.6 months.

Warrants

A summary of warrant activity during the nine months ended September 30, 2016 is as follows:

	Number of Warrants	[1] Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding at January 1, 2016	64,702,128	CAD$0.15		
Issued as compensation warrants	3,000,000	CAD$0.08		
Expired	(18,104,996)	CAD$0.13		
Outstanding at September 30, 2016	49,597,132	CAD$0.14	1.56	$ -
Exercisable at September 30, 2016	49,597,132	CAD$0.14	1.56	$ -

[1] US$ denominated warrants are reflected in their CAD$ equivalents.

A summary of the warrants outstanding and exercisable at September 30, 2016 is as follows:

Weighted Average Exercise Price		Warrants	Weighted Average Remaining Contractual Life in years
CAD$	0.080	3,000,000	2.23
CAD$	0.090	975,000	0.54
CAD$	0.160	1,481,327	3.26
US$	0.050	17,272,014	0.79
US$	0.090	4,937,650	0.80
US$	0.095	500,000	2.99
US$	0.100	7,690,000	1.63
US$	0.200	13,741,141	2.44
CAD$	0.140	49,597,132	1.56

12. Commitments and Contingencies

Litigation

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such matters that are deemed material to the condensed consolidated financial statements as of September 30, 2016 and December 31, 2015.

Legal Case

Viscount filed a Notice of Civil Claim in the Supreme Court of British Columbia against Stephen Pineau, its former President, CEO and director on November 19, 2014 alleging that during the term of his employment, Mr. Pineau had misappropriated certain company funds. The Company sought damages for breach of contract and fiduciary duty, equitable relief, including restitution and recovery of Company funds owed, special, aggravated and punitive damages, as well as interest and costs, including special costs. Mr. Pineau denied these allegations, and on January 2, 2015, filed a counterclaim alleging that the Company owed him compensation for wrongful termination, bad faith damages, compensation he claimed he is owed by the Company, unpaid director's fees and expenses. Viscount denied these allegations and asserted that Mr. Pineau's termination, while initially without cause, was changed for cause post-termination once the Company discovered evidence of Mr. Pineau's alleged misappropriation.

On April 8, 2016 the Company and its former CEO, Stephen Pineau came to general terms of an agreement to resolve their outstanding claim. The parties fully and finally settled all issues between them, including but not limited to Mr. Pineau's employment and its termination, directorship and its termination, options and shareholdings, as well as the facts and matters plead in the action referenced above, on a mutual and without-costs basis.

Both parties dismissed the claim and counterclaim as if there had been a trial on the issues with no costs payable to either party and had it filed with the Vancouver Registry.

On April 8, 2016, The Company re-issued 3,000,000 stock options to Mr. Pineau on the same terms and at the same exercise price as those that expired in December 2013, being $0.04 CAD, except with the expiry date extended by five years (expiring in December, 2018). Accordingly, the Company valued the 3,000,000 stock options at $24,627, using the Black-Scholes Model. As of September 30, 2016, the stock options related litigation liability of $24,627, which was accrued to the stock-based compensation expense in the year of 2015, has been transferred to Additional Paid in Capital in the accompanying condensed consolidated financial statements.

On April 8, 2016, The Company re-issued Mr. Pineau's 3,000,000 warrants exercisable at $0.08 CAD per share, which expired December 23, 2015 until December 23, 2018. Accordingly, the Company valued the 3,000,000 extended warrants at $18,476, using the Black-Scholes Model. As of September 30, 2016, the warrants related litigation liability of $18,476, which was accrued to the stock-based compensation expense in the year of 2015, has been transferred to Additional Paid in Capital in the accompanying condensed consolidated financial statements.

Operating Leases

Rent expense, including the insurance charge, included in the condensed consolidated statements of operations for the nine months ended September 30, 2016 and 2015 was $109,167 and $108,167, respectively, and for the three months ended September 30, 2016 and 2015 was $36,389 and $36,389, respectively. The Company has renewed the lease agreement from September 1, 2016 to May 31, 2017 on the same terms as prior year lease agreement.

(Expressed in Canadian dollars)

13. Results of Discontinued Operations

Discontinued operations represent the Company's servicing business, as a result of the Company's decision to sell this line of business in January 2016.

A summary of the Company's results of discontinued operations of its servicing business for the three and nine months ended September 30, 2016 and 2015 and the Company's assets and liabilities from discontinued operations of its servicing business as of September 30, 2016 and December 31, 2015 is as follows:

13. Results of Discontinued Operations (continued)

Results of discontinued servicing business operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales	$ 210,865	$ 265,075	$ 782,021	$ 781,476
Cost of sales	77,082	80,377	279,505	263,802
	-	-		
Operating expenses	43,897	37,041	144,039	157,498
Income from discontinued operations, net of tax	$ 89,886	$ 147,657	$ 358,477	$ 360,176
Income per share from discontinued operations, basic and diluted	$ 0	$ 0	$ 0	$ 0
Weighted average shares outstanding, basic and diluted	130,297,236	126,047,236	130,297,236	126,040,891

Assets and liabilities of discontinued operations:

	September 30, 2016	December 31, 2015
Accounts receivable	$ 41,329	$ 59,317
Equipment, net	$ 15,428	$ 18,151

14. Sales Concentration

(a) Of the total sales for the nine months ended September 30, 2016 and 2015, $1,433,138 and $2,125,467, respectively, were derived from U.S.-based customers. Total sales of $1,682,067 and $1,675,074, respectively, were derived from Canadian-based customers.

Of the total sales for the three months ended September 30, 2016 and 2015, $602,313 and $342,144, respectively, were derived from U.S.-based customers. Total sales of $503,431 and $569,992, respectively, were derived from Canadian-based customers. Substantially all of the Company's operations, assets and employees are located in Canada.

(b) Products:
Enterphone/MESH sales represented 61% and 49% of total revenue during the nine months ended September 30, 2016 and 2015, respectively. Freedom sales represented 39% and 51% of total revenue during the nine months ended September 30, 2016 and 2015, respectively.

Enterphone/MESH sales represented 54% and 66% of total revenue during the three months ended September 30, 2016 and 2015, respectively. Freedom sales represented 46% and 34% of total revenue during the three months ended September 30, 2016 and 2015, respectively.

15. Subsequent Events

Management has evaluated subsequent events or transactions occurring through the date on which the financial statements were issued. Based upon that evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements.

6) Describe the Issuer's Business, Products and Services

A. a description of the issuer's business operations;

Viscount Systems, Inc. (the "Company") was incorporated on May 24, 2001 in the State of Nevada. The Company manufactures, distributes, and provides services for electronic premises access and security equipment primarily through its wholly owned Canadian subsidiary, Viscount Communication and Control Systems Inc.

The Company is a manufacturer, developer, reseller and service provider of intercom and access control systems. The Company's intercom and access control systems are installed throughout North America for various applications including: condominium/apartment building access and intercom; residential intercom; gated home/community access and intercom; seniors/government housing access, tracking and intercom; elevator access and tracking; garage or perimeter gate control; and emergency communications.

The Company competes in the building intercom and access control systems industry. The intercom and access control industry is sometimes referred to as a segment of the low-voltage systems industry. The Company's intercom and access control systems are designed to automate the control of access to buildings or other restricted access areas. Intercom systems and access control systems are complementary; however they can also be used independently depending on user requirements. For example, most modern residential apartment or condominium buildings have an intercom system for visitors wishing to communicate with residents. Residents, on the other hand, are issued access cards that can be used in conjunction with card readers installed beside gates, parking garages, doors or elevators in order to gain access.

Access control systems provide two functions for a building. Building tenants use access cards and readers that control access through doors, gates or elevators, while visitors use telephone intercoms to be granted admission by a building occupant or manager. The systems also provide sophisticated alarm functions such as identifying doors left open or forced entry. The sophistication of systems ranges from controlling a single door where records are kept manually to large enterprise systems covering hundreds of buildings from a dedicated security facility.

B. Date and State (or Jurisdiction) of Incorporation:

Viscount Systems, Inc. (the "Company") was incorporated on May 24, 2001 in the State of Nevada.

C. the issuer's primary and secondary SIC Codes;

738202/738216

D. the issuer's fiscal year end date;

Dec 31

E. principal products or services, and their markets;

The Company's legacy business consists of products and services for high rise residential and office buildings, generally described as telephone access. These products allow visitors to contact tenants or offices via a lobby device to gain entry. The Company has various brands in this marketplace, with high end products called MESH, and lower cost products called Enterphone, selling through dealers in Canada and the United States.

The Company's Freedom Access Control software solution ("Freedom") controls entry doors throughout a business, hospital, school, or other buildings, and prevents entry by persons unknown or staff attempting to enter at the wrong time of day.

Freedom and MESH mark a very different business model from the traditional approach. The building control and security industry has traditionally been highly segmented based on specific functions designed into proprietary electronic hardware. This has meant that makers of heating/ventilation and air-conditioning systems and security card access systems essentially manufacture input/output systems, while intercom makers manufacture voice systems, and security camera makers manufacture closed-circuit video systems. Stated otherwise, audio, video, environment and access control systems are traditionally all separate building control systems that are independently controlled, installed, and maintained. There has been strong convergence of technologies in the computer and telephone-related industries based on digital standards; however, the building control industry has not as yet undergone a similar convergence of technologies. Traditionally, where systems need to be compatible, the industry has relied on integration. Integration is the use of a host computer and custom software to tie separate and distinct systems, typically from different manufacturers, together on a common software platform. However, because Freedom and MESH are based on a single software platform and database architecture, different systems such as intercom and building security can be run as a single platform. Furthermore, with Viscount's new Active Directory platform (as described below), logical and physical security can run as a unified platform that creates much more secure and flexible systems that comport with the integration model.

Along with certain other industry participants, the Company has turned to current high-technology solutions in order to reduce costs of ownership of security systems while improving functionality. The Company has developed new system platforms that will permit convergence of the control of various building functions, such as access control, intercom, closed-circuit television, and heating/ventilation and air-conditioning. These systems can be operated on a single commercially available host server and can operate using standard communications techniques. As a result of using a single full-service system to replace the three or more separate dedicated systems, each requiring its own host server, the overall cost of ownership of a security and control system has been reduced.

7) Describe the Issuer's Facilities

Operating Leases

Rent expense, including the insurance charge, included in the condensed consolidated statements of operations for the nine months ended September 30, 2016 and 2015 was $109,167 and $108,167, respectively, and for the three months ended September 30, 2016 and 2015 was $36,389 and $36,389, respectively. The Company has renewed the lease agreement from September 1, 2016 to May 31, 2017 on the same terms as prior year lease agreement.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons.

Name	Age	Positions
Scott Sieracki	50	Chief Executive Officer
Ned L. Siegel	65	Chairman of the Board of Directors
Alexander Buehler	40	Director
Geoffrey Arens	51	Director
James Cacioppo	54	Director
Craig Nemiroff	44	Director
Zhi Yuan (Yvonne) Zheng	41	Principal Financial Officer

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   No

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

   No

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

   No

C. Beneficial Shareholders.

The voting securities percentage ownership information shown in the table below is based upon (i) 130,297,236 shares of Common Stock outstanding, (ii) Series A Preferred Stock outstanding and entitled to vote 138 votes on the matters described herein, (iii) Series B Preferred Stock outstanding and entitled to vote 104,237,788 votes on the matters described herein, and (iv) for holders of Series A Demand Notes, Series B Demand Notes and/or warrants, such number of shares of Common Stock that can be acquired upon conversion or exercise of such notes or warrants within 60 days of September 30, 2016.

Also for certain holders, the table includes shares of Common Stock issuable upon (i) conversion of shares of Series A Preferred Stock and certain Series A and B Notes and shares of Common Stock issuable upon exercise of issued and outstanding options and warrants to purchase Common Stock

Name of Beneficial Owner	Number	Percent
One East Partners Master, L.P.(1)	1,946,153,964	89.35%
One East Partners Opportunities, L.P.(2)	1,876,400,630	88.89%
Dendera Capital Fund LP(3)	6,501,832	2.73%
James Cacioppo(4)	3,927,292,383	96.86%
Geoffrey W. Arens(5)	7,501,832	3.11%
Ned L. Siegel(6)	2,618,202	1.12%
Alexander Buehler(7)	1,000,000	*
Craig Nemiroff(8)	416,667	*
Scott Sieracki(9)	-	-
Zhi Yuan (Yvonne) Zheng(9)	-	-
All directors and named executive officers as a group (7 persons)(9)	3,938,829,084	97.07%

* Less than 1%.

(1) One East Partners is a Cayman Islands investment limited partnership. The business address of One East Partners is 225 NE Mizner Blvd, Suite 720, Boca Raton, FL 33432. James Cacioppo is the Managing Principal of One East Capital Advisors, which is the investment advisor to OEP Partners. Includes (1) 3,626,808 shares of Common Stock issuable to OEP Partners upon exercise of warrants held by OEP Partners, (2) 1,366,721,882 shares of Common Stock issuable to OEP Partners upon conversion of two Series A Demand Notes held by OEP Partners, and (3) 573,191,111 shares of Common Stock issuable to OEP Partners upon conversion of a Series B Demand Note held by OEP Partners. Excludes 18.734 shares of Series B Preferred Stock held by OEP Partners which represents 37.1% of outstanding shares of Series B Preferred Stock. Mr. Cacioppo holds the voting power and dispositive power with respect to all such shares.

(2) OEP Opps is a Delaware investment limited partnership. The business address of OEP Opps is 225 NE Mizner Blvd, Suite 720, Boca Raton, FL 33432. James Cacioppo is the Managing Principal of One East Advisors, which is the investment advisor to OEP Opps. Includes (1) 6,142,506 shares of Common Stock issuable to OEP Opps upon exercise of warrants held by OEP Opps and (2) 1,870,258,124 shares of Common Stock issuable to OEP Opps upon conversion of a Series A Demand Note held by OEP Opps. Mr. Cacioppo holds the voting power and dispositive power with respect to such shares. Excludes 19.615 shares of Series B Preferred Stock held by OEP Opps which represents 38.9% of outstanding shares of Series B Preferred Stock.

(3) The business address of Dendera Capital is 1345 Avenue of the Americas, 2nd Floor, New York, New York 10105. Geoffrey Arens is the Managing Partner of Dendera Capital. Includes (1) 2,018,055 shares of Common Stock issuable to Dendera Capital upon exercise of warrants held by Dendera Capital, (2) 3,372,666 shares of Common Stock issuable to Dendera Capital upon conversion of its Series A and B Notes. Excludes 1,109,420,887 shares of Common Stock issuable to Dendera Capital upon conversion of its Series A and B Notes and 10.865 shares of Series B Preferred Stock. Pursuant to each of the Series A and B Notes, Dendera shall not convert each

Series A Demand Note or Series B Demand Note if such conversion results in Dendera beneficially owning more than 4.99% of the shares of Common Stock. The holder has the option to waive either of these limitations upon 61 days' notice to the issuer.

(4) Includes shares held by OEP Partners and OEP Opps (See footnotes (1) and (2)) and 500,000 shares of Common Stock issued to Mr. Cacioppo on May 19, 2015. Also includes 104,237,788 voting rights as holder of 50.01% or more of outstanding shares of Series B Preferred Stock, which for so long as any shares of the Series B Preferred Stock are issued and outstanding, the holder owning at least 50.01% or greater of the then issued and outstanding Series B Preferred Stock (regardless of how many shares of Series B Preferred Stock are issued and outstanding), has the right to vote in an amount equal to eighty percent (80%) of the total vote on all matters that the holders of the Common Stock have the right to vote and/or consent to, no matter how many shares of Common Stock or other voting stock of the Company are issued and outstanding.

(5) Includes (1) 250,000 shares of Common Stock issuable to Mr. Arens upon exercise of warrants held by Mr. Arens, (2) 2,018,055 shares of Common Stock issuable to Dendera Capital upon exercise of warrants held by Dendera Capital, (3) 3,372,666 shares of Common Stock held by Dendera Capital upon conversion of the Series A Demand Notes and Series B Demand Note held by Dendera Capital (See footnote (3)) and (4) 500,000 shares of Common Stock issued to Mr. Arens on May 19, 2015.

(6) Includes (i) 785,752 shares of Common Stock issuable to Mr. Siegel upon exercise of warrants held by Mr. Siegel; and (iii) 1,000,000 shares of Common Stock issued to Mr. Siegel on May 19, 2015.

(7) Includes 250,000 shares of Common Stock issuable to Mr. Buehler upon exercise of warrants held by Mr. Buehler, and 750,000 shares of Common Stock issued to Mr. Buehler on May 19, 2015.

(8) Includes 138,889 shares of Common Stock issuable to Mr. Nemiroff upon exercise of a warrant held by Mr. Nemiroff.

(9) See footnotes (4), (5), (6), (7) and (8). Excludes shares issuable to Mr. Sieracki and Ms. Zheng upon exercise of options to purchase 1,000,000 and 200,000 shares of Common Stock, respectively.

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

<u>Legal Counsel</u>
Name: <u>NA</u>
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

<u>Accountant or Auditor</u>
Name: <u>NA</u>
Firm: _____
Address 1: _____
Address 2: _____

Phone: _____
Email: _____

Investor Relations Consultant
Name: NA
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

I, Scott Sieracki, certify that:

1. I have reviewed this report for the fiscal quarter ended September 30, 2016 of Viscount Systems, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 14, 2016

By:*/s/ Scott Sieracki*

Scott Sieracki

Chief Executive Officer

I, Zhi Yuan Zheng, certify that:

1. I have reviewed this report for the fiscal quarter ended September 30, 2016 of Viscount Systems, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3.Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 14, 2016

By:*/z/ Zhi Yuan Zheng*

Zhi Yuan Zheng

Principal Financial Officer