A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form 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 short form 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. These securities 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 and, except to the extent permitted under the Agency Agreement (as hereinafter defined) may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the U.S. Securities Act). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, a U.S. person. See "Plan of Distribution."

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from Spectra7 Microsystems Inc. at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1, telephone (905) 480-9109, and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

New Issue March 4, 2014

SPECTRA7 MICROSYSTEMS INC.

$ •

• Units

This short form prospectus qualifies the distribution of • units (the "**Units**") of Spectra7 Microsystems Inc. (the "**Corporation**") at a price of $ • (the "**Offering Price**") per Unit (the "**Offering**"). Each Unit consists of one common share in the capital of the Corporation (each, a "**Common Share**") and one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire one common share in the capital of the Corporation (each, a "**Warrant Share**") at an exercise price of $ • for a period of • months following the Closing Date (as hereinafter defined) (the "**Expiry Date**"). This prospectus also qualifies the distribution of the Common Shares and Warrants comprising the Units and the Warrant Shares issuable upon exercise of the Warrants.

The Units are offered pursuant to the terms of an agency agreement (the "**Agency Agreement**") dated •, 2014 among the Corporation, Canaccord Genuity Corp. (the "**Lead Agent**"), Global Maxfin Capital Inc., Mackie Research Capital Corporation and PI Financial Corp. (collectively, with the Lead Agent, the "**Agents**"). The Offering Price was determined by negotiation between the Agents and the Corporation.

The Common Shares are listed and posted for trading on the TSX Venture Exchange (the "**Exchange**") under the symbol "SEV". On March 3, 2014, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the Exchange was $0.43.

The Corporation has applied to list the Common Shares and Warrants which form part of the Units distributed under this short form prospectus and the Warrant Shares issuable upon exercise of the Warrants on the Exchange, including any Common Shares and Warrant Shares issued upon exercise of the Over-Allotment Option and upon exercise of the Broker Warrants (as defined below). Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

An investment in the Units offered hereunder is speculative and involves a high degree of risk. Prospective investors should carefully consider the risk factors described in this short form prospectus under "Risk Factors".

Price: $ • per Unit

	Price to the Public	Agents' Fee(1)	Net Proceeds to the Corporation(2)
Per Unit	$ •	$ •	$ •
Total(3)..............................	$ •	$ •	$ •

Notes:

(1) The Corporation has agreed to pay the Agents a cash commission (the "**Agents' Fee**") equal to 6% of the gross proceeds of this Offering. The Corporation will reimburse the Agents for their expenses in connection with the Offering. The Corporation will also issue to the Agents non-transferable broker warrants (the "**Broker Warrants**") equal to 8% of the total number of Units sold under the Offering. Each Broker Warrant will entitle the holder thereof to acquire one Unit at an exercise price equal to the Offering Price at any time prior to 5:00 p.m. (Toronto time) on the date which is 12 months following the Closing Date. This short form prospectus qualifies the grant and issue of the Broker Warrants. See "Plan of Distribution".

(2) Before deducting the expenses of this Offering (estimated at $ •) which, together with the Agents' Fee, will be paid by the Corporation from the proceeds of this Offering.

(3) The Corporation has granted to the Agents an over-allotment option (the "**Over-Allotment Option**") exercisable in whole or in part at the sole discretion of the Agents at any time up to 30 days following the Closing Date, to purchase up to an aggregate of • additional Units (representing up to 15% of the number of Units sold on the Closing Date pursuant to the Offering), at the Offering Price, payable in cash against delivery of those additional Units. The Over-Allotment Option is exercisable in whole or in part solely for the purpose of covering over-allotments, if any, made by the Agents in connection with the Offering and for market stabilization purposes. If the Offering is fully subscribed and the Over-Allotment Option is exercised in full, the total price to the public, Agents' Fee and net proceeds to the Corporation before deducting other expenses of the Offering, will be $ • , $ • and $ • , respectively. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares and Warrants issued and sold upon the exercise of the Over-Allotment Option and the Warrant Shares issuable upon the exercise of the Warrants. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context otherwise requires, references to Common Shares, Warrants and Warrant Shares shall include the Over-Allotment Option and all of the securities issuable upon exercise of the Over-Allotment Option.

The following table sets out information relating to the Over-Allotment Option:

Agents' Position	Maximum Size(1)	Exercise Period	Exercise Price
Over-Allotment Option	• Units	Up to 30 days following the Closing Date	$ • per Unit
Broker Warrants(2)(3)	• Units	Up to 12 months following the Closing Date	$ • per Unit

Notes:

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

(2) This short form prospectus also qualifies the grant and distribution issue by the Corporation of the Broker Warrants. See "Plan of Distribution".

(3) If the Over-Allotment Option is exercised, additional Broker Warrants equal to 8% of the number of additional Units sold will be issued.

There is no minimum amount of funds that must be raised under the Offering. This means that the Corporation could complete the Offering after raising only a small proportion of the offering amount set out above.

The Agents conditionally offer the Units for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Aird & Berlis LLP and on behalf of the Agents by McCarthy Tétrault LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about • , or such other date as the Corporation and the Agents may agree (the "**Closing Date**"). However, the distribution of Units will not continue for a period of more than 90 days after the date the final receipt is issued for this short form prospectus or such later date as the Corporation and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this short form prospectus and the regulator issuing a receipt for such amendment).

On the Closing Date, the Units will be available for delivery in book entry form through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited through CDS. Purchasers of Units will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Units are purchased.

In connection with the Offering, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that may otherwise exist in the open market. Such transactions, if commenced, may be discontinued at any time. In certain circumstances, the Agents may decrease and further change the price at which the Common Shares are sold to purchasers. See "Plan of Distribution".

Each of Tony Stelliga, Robert Dobkin and Roger Maggs, directors of the Corporation, reside outside of Canada. They have each appointed Maxims CS Inc., Suite 1800, 181 Bay Street, Toronto, Ontario as agent for service of process in Ontario. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

The Corporation's registered and head office is located at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and McCarthy Tétrault LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act"**) at the date hereof, provided the Common Shares, Warrants and Warrant Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the Exchange), the Common Shares, Warrants and Warrant Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**").

Notwithstanding that the Common Shares, Warrants and Warrant Shares may be a qualified investment for a RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF or the holder of a TFSA, as the case may be, will be subject to a penalty tax where such Warrants or shares constitute a "prohibited investment" for the particular RRSP, RRIF or TFSA. Common Shares, Warrants and Warrant Shares will not be a "prohibited investment" for an RRSP, RRIF or TFSA provided that for purposes of the Tax Act the annuitant of the RRSP or RRIF or the holder of a TFSA, as the case may be, deals at arm's length with the Corporation and does not have a "significant interest" (as defined in the Tax Act) in the Corporation. In addition, Common Shares and Warrant Shares will not be a prohibited investment if such securities are "excluded property" as defined in the Tax Act for purposes of the prohibited investment rules for an RRSP, RRIF or TFSA. Annuitants of an RRSP or RRIF and holders of a TFSA should consult their own tax advisors to ensure the Common Shares, Warrants and Warrant Shares will not be a prohibited investment in their particular circumstances.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference in this short form prospectus, constitute "forward-looking statements". All statements other than statements of historical fact contained in this short form prospectus and in documents incorporated by reference in this short form prospectus, including, without limitation, those regarding the Corporation's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Corporation participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Corporation's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" in the AIF (as defined herein) and in this short form prospectus and in documents incorporated by reference in this short form prospectus. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this short form prospectus and in documents incorporated by reference in this short form prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. These forward-looking statements are made as of the date of this short form prospectus and the Corporation assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this short form prospectus and in documents incorporated by reference in this short form prospectus are based on numerous assumptions regarding the Corporation's present and future business strategies and the environment in which the Corporation will operate in the future, including assumptions regarding business and operating strategies, and the Corporation's ability to operate on a profitable basis.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include risks related to: the degree of competition in the geographic and business areas in which the Corporation operates; the Corporation's ability to secure orders from a limited number of customers; customer acceptance of the Corporation's products; technological changes and research and development; the Corporation's ability to charge prices that will result in favorable gross margins; the Corporation's ability to introduce new or enhanced products on a timely basis; market demand and penetration of new markets for products and services; general political and economic conditions; reliance on a limited number of manufacturers; potential disruption in supply of products or materials; the Corporation's ability to contain and appropriately budget expenses due to its limited operating history; the length of the sales cycle required to establish design wins and bring design wins to production; reliance on distributors; the Corporation's ability to deliver its products in the correct product mix required by its customers and ability to control order and shipment uncertainties; the Corporation's ability to qualify its products with customers; dependence on existing members of management team; ability to attract and retain qualified employees and contain payroll costs; unforeseen delays, expenses and damage to reputation caused by defects or bugs; potential claims of intellectual property infringement; ability to protect intellectual and intangible properties; the use of open source software; reliance on third parties to provide services and technology; unanticipated changes in tax rates; disruptions related to international operations; compliance with various governmental regulations and related costs of compliance; cyclicality in the semiconductor industry; conformity of the Corporation's products to industry standards; going concern risk; impact of negative cash flow from operating activities; ability to meet future capital requirements; fluctuation of share price; limited trading volume and potential for decline in share price; dilution as a result of future sales of securities; strain on resources as a result of the requirements of being a public company; ability to declare dividends; conflicts of interest of certain directors and officers; and litigation.

In addition to the factors set out above and those identified in the AIF and under the heading "Risk Factors" in this short form prospectus, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Corporation has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Neither the Corporation nor the Agents assume any obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, unless required by applicable securities laws and regulations.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of documents incorporated herein by reference may be obtained on request without charge from the Corporation at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1, telephone (905) 480-9109, and are also available electronically at www.sedar.com.

The following documents, filed with the provincial securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

(a) the annual information form of the Corporation dated October 30, 2013 (the "**AIF**") for the year ended December 31, 2012;

(b) the audited financial statements of the Corporation as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon;

(c) the management's discussion and analysis of the Corporation for the year ended December 31, 2012;

(d) the amended and restated audited consolidated financial statements of Spectra7 Microsystems

Corp. (formerly Fresco Microchip Inc.) as at and for the years ended September 30, 2012 and 2011, together with the notes thereto and the auditors' report thereon;

(e) the audited consolidated financial statements of Spectra7 Microsystems (Ireland) Limited (formerly RedMere Technology Limited) as at and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditors' report thereon;

(f) the amended and restated unaudited interim consolidated financial statements of the Corporation for the three and twelve month periods ended September 30, 2013 and 2012, together with the notes thereto;

(g) the amended and restated management's discussion and analysis of the Corporation for the three and twelve month periods ended September 30, 2013;

(h) the management information circular of the Corporation dated May 21, 2013;

(i) the management information circular of the Corporation dated September 21, 2012;

(j) the management information circular of the Corporation dated May 17, 2012;

(k) the material change report of the Corporation dated February 8, 2013 with respect to the closing of the Qualifying Transaction (defined below) and a credit facility;

(l) the material change report of the Corporation dated June 28, 2013 with respect to the closing of a brokered private placement;

(m) the material change report of the Corporation dated December 12, 2013 with respect to the closing of a brokered private placement; and

(n) the press release of the Corporation dated January 24, 2014 announcing certain financial results.

Any document of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by the Corporation with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before the closing of the Offering are deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference is deemed to be modified or superseded, for purposes of this short form prospectus, to the extent its content is modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information contained in the document that it modifies or supersedes. The making of a modifying or superseding statement is not an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, constitute a part of this short form prospectus.

CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

EXCHANGE RATES

The following table sets forth the value of one United States dollar expressed in Canadian dollars, based on the noon exchange rates quoted by the Bank of Canada for the dates indicated:

	Twelve months September 30, 2011	Year ended September 30, 2012	Twelve months ended September 30, 2013
As at end of period	$1.0389	$0.9837	$1.0285
Low for the period	$0.9449	$0.9710	$0.9763
High for the period	$1.0389	$1.0604	$1.0576
Average rate for the period	$0.9866	$1.0075	$1.0155

The noon exchange rate on March 3, 2014, as reported by the Bank of Canada for the exchange of one United States dollar into Canadian dollars, was US$1.00 per $1.1092.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that are prepared in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR (www.sedar.com) before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this short form prospectus.

SUMMARY DESCRIPTION OF THE BUSINESS

This summary does not contain all the information that may be important to you in deciding whether to invest in the Units. You should read the entire short form prospectus, including the section entitled "Risk Factors" and any documents incorporated by reference herein, before making such decision.

The Corporation was incorporated on October 12, 2010 as "Chrysalis Capital VIII Corporation" pursuant to the filing of articles of incorporation under the *Canada Business Corporations Act*. The articles of incorporation of the Corporation were amended by the filing of articles of amendment dated April 19, 2011 to remove certain provisions. On November 26, 2012, the Corporation filed articles of amendment to correct certain errors in the articles of amendment filed on April 19, 2011. On February 5, 2013, the Corporation's articles were amended to consolidate its common shares (the "**Common Shares**") by a ratio of 3.86364:1 (the "**Share Consolidation**") and to change its name to "Spectra7 Microsystems Inc." (the "**Name Change**"). The registered and head office of the Corporation is located at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1. The Corporation is currently a reporting issuer in the Provinces of Alberta, British Columbia and Ontario. Upon issuance of a receipt for this short form prospectus, the Corporation will become a reporting issuer in each of the provinces of Canada, excluding Québec.

On July 12, 2012, the Corporation entered into an agreement with Spectra7 Microsystems Corp. (formerly Fresco Microchip Inc.) ("**Fresco**"), a company incorporated in Ontario, and Spectra7 Microsystems (Ireland) Limited (formerly RedMere Technology Limited) ("**RedMere**"), a company incorporated in Ireland, with respect to the acquisition of all of the securities of Fresco and RedMere. On February 5, 2013, the Corporation completed a reverse takeover transaction with a capital pool company then named Chrysalis Capital VIII Corporation ("**Chrysalis**"), whereby Chrysalis acquired all of the issued and outstanding shares of Fresco and RedMere. Since February 19, 2013, the Common Shares have been listed for trading on the Exchange under the symbol "SEV". As a result of such transaction, which constituted the Corporation's Qualifying Transaction under the policies of the Exchange, the former shareholders of Fresco acquired control of the Corporation (the "**Qualifying Transaction**").

The Corporation is an analog semiconductor company delivering speed, resolution and signal fidelity to consumer and wireless infrastructure products. The Corporation's new system-level components address throughput bottlenecks and meet the exponential demand for more bandwidth and lower costs in mobile and internet infrastructure equipment, including televisions, tablets, handsets, "wearable" electronics, cellular base stations and microwave backhaul systems.

The Corporation seeks to address the increasing demand for more bandwidth and lower costs in mobile and internet infrastructure equipment, including handsets, tablets, base stations and microwave backhaul systems. On the consumer side, this rapid increase in bandwidth demand is driven by rich media, higher resolution displays, faster frame rates and increasing smartphone and tablet adoption, which can only be delivered with new, high performance, low power analog "signal conditioning" semiconductor devices. Aging telecom infrastructure, originally architected for voice deployments, requires smarter high performance analog signal processing to accommodate the demand for media rich content delivery. The Corporation has intellectual property and engineering proficiency in areas that address analog components that deliver high-speed bandwidth signals. The Corporation has applied these proficiencies in the television tuner business and in HDMI cables.

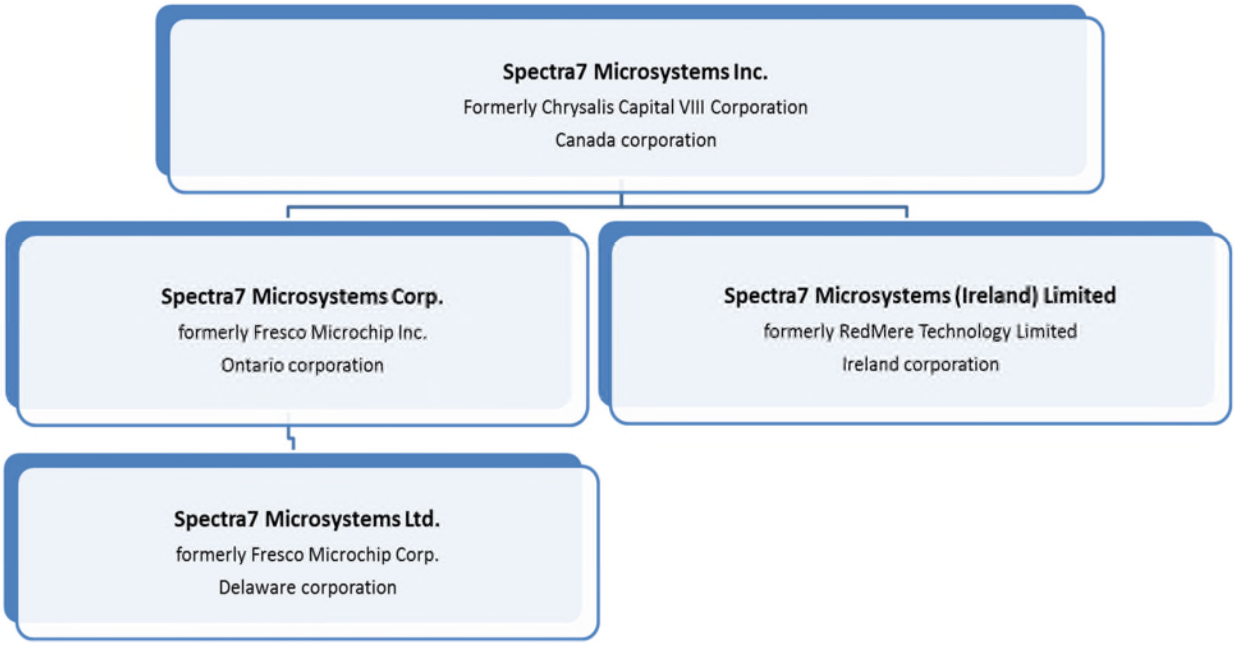
The Corporation is currently focused on three large and growing markets where it can apply its analog and system expertise in signal processing:

- HD Displays: Recent technological advances in the display and broadcast television markets are driving changes in the way consumers can access and experience multimedia content. These advances include the increasing availability of high speed broadband and wireless connectivity, rapid improvements in display technology and resolution, the transition from standard to high definition cable, satellite and telecommunications carrier services, and the ongoing worldwide conversion from analog to digital television broadcasting. As a result, the Corporation works with Original Equipment Manufacturers ("**OEM**") in the digital HDTV, computer laptop, tablet, smartphone and "wearable" computing markets who are seeking thinner, higher resolution, clearer and industrial design driven products;

- HD Interconnects: working with OEMs and retail brands to develop the thinner, faster and longer HDMI cables and interconnects available for both the installer and consumer markets; and

- Mobile Infrastructure: working with OEMs to deliver mobile backhaul products allowing spectrum to be re-used more often via small cell base stations, leading to better customer experience and more revenue per hertz for wireless carriers.

The following chart sets out all of the Corporation's subsidiaries as at the date hereof, their jurisdictions of incorporation and the Corporation's direct and indirect voting interest in each of these subsidiaries.



For more information on the Corporation and its activities, please refer to the AIF.

RECENT DEVELOPMENTS

Update on Business

On August 27, 2013, the Corporation entered into a license agreement with Analog Bits Inc. for the license of a SERializer/DESerializer (SerDes) macro core. The macro is a multi-function SerDes that can accommodate a broad range of high-speed communications protocols. The SerDes macro includes both a transmit portion that includes a serializer plus transmit driver with de-emphasis capabilities and a receive portion that includes an equalizer, clock/data recovery unit, and deserializer. The transmit and receive portions of the macro may be used either in conjunction or separately. The license is perpetual, worldwide, non-exclusive, non-transferable and royalty-free. Pursuant to the terms of the agreement, the Corporation paid an initial license fee on signing of the agreement, subject to additional fees upon reaching certain milestones. The Corporation intends to use the macro in multiple upcoming products. Current potential products include those in the DisplayDirect product line among others.

On November 8, 2013, the Corporation entered into a First Amendment to Loan Agreement, on December 11, 2013, the Corporation entered into a Second Amendment to Loan Agreement and on February 14, 2014 entered into a Third Amendment to the Loan Agreement, all of which amended and waived certain financial covenants to a Loan Agreement made as of February 5, 2013 between the Corporation and a Canadian chartered bank.

On January 7, 2014, the Corporation announced CouchConnect™, a portable, five metre, plug'n'play solution capable of delivering true, real-time 1080p HD or 4K UltraHD content from a mobile device to main screen. The Corporation also announced that Walmart.com will commence selling CouchConnect™ in January 2014. CouchConnect™ is an ultra-thin, portable form factor made possible by the Corporation's CC7000, a self-powered chip capable of delivering 1080p HD and 4K UltraHD content.

On January 7, 2014, the Corporation also unveiled its Detectiv4K™ integrated audio/video performance monitoring technology and announced that Detectiv4KTM was now embedded in Monster® Cable's ("**Monster**") Black Platinum® cable, adding to the existing use of the Corporation's home theatre technology in Monster's Core Power® and MSeries® cable lines.

On January 24, 2014, the Corporation announced preliminary revenue results for the period ending December 31, 2013.

On February 24, 2014, the Corporation announced the completion of its previously announced review of the 2012 audited annual financial statements of Fresco, one of the two companies acquired as part of the Qualifying Transaction. As a result of the review, the Corporation filed: (a) amended and restated financial results for the three and twelve months ending September 30, 2013 and amended corresponding management's discussion and analysis; and (b) amended and restated audited annual financial statements of Fresco for the year ending September 30, 2012. The restatement was required to correct the valuation and presentation of Fresco's previously outstanding preferred shares under IAS 32: Financial Instruments. All such preferred shares were converted to Common Shares in connection with the Qualifying Transaction.

Update on Use of Available Funds

The following table sets forth a comparison of the disclosure regarding the Corporation's intended use of available funds as set out in the Corporation's final non-offering prospectus dated December 21, 2012 (the "**QT Prospectus**") in connection with the Qualifying Transaction and the actual use of available funds as at September 30, 2013 (being the date of the most recent interim financial statements incorporated by reference in this short form prospectus):

Anticipated Use of Funds	Estimated Use of Funds Over 18 Months (as of date of the QT Prospectus) (US$)	Actual Use of Funds (as at September 30, 2013) (US$)
Debt repayments	2,000,000	2,000,000
Cash flow used by operations		
Cash flow used by operations of Chrysalis	215,000[(1)]	n/a
Cash flow used by operations of Fresco	4,567,000[(1)]	n/a
Cash flow used by operations of RedMere	2,503,000[(1)]	n/a
Cash flow used by operations of the Corporation	n/a	8,253,112
Estimated annual savings as a result of a restructuring in August 2012		
Estimated annual savings as a result of a restructuring in August 2012 for Fresco	(1,649,000)	(1,649,000)
Estimated annual savings as a result of a restructuring in August 2012 for RedMere	(731,000)	(731,000)
Estimated annual savings as a result of current additional restructurings	(1,214,000)	(1,699,900)
Estimated expenses related to the Qualifying Transaction	575,000	643,483
Unallocated funds	4,554,000	4,003,305
Total uses of funds	**10,820,000**	**10,820,000**

Note:

(1) Annualized nine month cash flow from operating activities for Chrysalis, Fresco and RedMere. The nine month cash flow from operating activities from each company's respective statement of cash flows is annualized by multiplying the cash flow from operating activities by 1.33.

Update on Objectives

The following table sets forth the business objectives of the Corporation for the 2013 and 2014 calendar years as set forth in the QT Prospectus and the current status of such objectives:

Objectives	**Status**
To combine the technologies inherent in the existing products of Fresco and RedMere to develop new related products for the purpose of attracting new customers.	To date, several new products serving new market segments have been announced as the result of the combination of the Fresco and RedMere technologies including several self-powered Ultra HD+ interconnects for the 1080p and 4k television markets, an active silicon duplexer for high performance LTE small cell market and a chip which enables ultra-high image resolution and miniaturization required for wearable computing.
To use a certain portion of the net proceeds from the completion of the financings of Fresco and RedMere and the Qualifying Transaction	
a) for general administrative expenses, research and development, debt service costs, repayment of debt and working capital;	\$2.0 million of the net proceeds from the Qualifying Transaction was used to refinance a portion of the Corporation's debt and a portion of the net proceeds was used for administrative expenses, research and development, and working capital.
b) to acquire complementary businesses, products, services or technologies; and	The Corporation continues to explore business and technology acquisition opportunities.
c) to accelerate development of new products based on the individual technology provided by each of Fresco and RedMere by successfully combining the existing technologies, achieving a "design win" with a key customer, completing development of a new product for the customer, and paying for the manufacture of the product, possibly with a new manufacturing partner.	See first objective.
To secure access to more advanced process technology for the Corporation's semiconductor design and manufacturing by analyzing performance, price and power consumption and securing a price and delivery commitment from the manufacturing partner.	The Corporation continues to work closely with its manufacturing partners and has re-defined the way by which it ensures product quality through a recently introduced licensing program for its cable manufacturing partners.

Objectives	**Status**
To develop a new class of higher speed, higher video quality semiconductors to improve consumer experiences in mobile, notebook and digital television products, combining technologies from Fresco, for handling small, sensitive signals, and from RedMere, for handling high speed video signals.	Recently announced products (see above) have been introduced to serve the Ultra HD+ display, HD interconnect and mobile infrastructure markets, derived from the combination of Fresco and RedMere technologies.
To develop products for improving speed, reducing power and making the resulting product thinner, lighter and with an extended battery life.	See description of new products.

USE OF PROCEEDS

The net proceeds from this Offering are estimated to be approximately $ • , after deduction of the Agents' Fee of $ • and estimated expenses of this Offering of $ • , assuming the Offering is fully subscribed. If the Over-Allotment Option is exercised in full, the net proceeds from this Offering are estimated to be approximately $ • , after deduction of the Agents' Fee of $ • and the estimated expenses of this Offering of $ • , assuming the Offering is fully subscribed.

The Corporation intends to use the net proceeds from this Offering as follows:

1. approximately $ • for working capital and general corporate purposes; and
2. the balance to fund growth of the Corporation's product development, engineering, marketing and sales capabilities, and for strategic growth opportunities.

If the Over-Allotment Option is exercised in part or in full, the net proceeds of up to $ • will be added to working capital and general corporate purposes.

Business Objectives and Milestones

Working Capital

The Corporation intends to use the majority of the net proceeds of the Offering for working capital purposes. The Corporation believes that increasing the available working capital with the net proceeds of the Offering will enhance its competitive position given that the Corporation's currently available working capital is comparatively lower than peer companies with similar rates of growth. The Corporation believes that strengthening its financial position will improve confidence in the Corporation's ability to continue to grow, develop new products and support its customer base in the long term. The Corporation also believes that a stronger balance sheet will enhance its ability to negotiate pricing and terms with its suppliers.

Growth Initiatives

The Corporation intends to use the balance of the net proceeds of the Offering, if any. to:

(a) Expand product development and engineering resources – the Corporation intends to increase the size of its product development and engineering teams in order to accelerate the development and deployment of its current products.

(b) Expand marketing and sales resources – as the Corporation's newest products begin to gain market acceptance, the Corporation intends to strategically add sales and marketing resources in order to support existing customers and expand its products into new markets.

(c) Strategic growth – the Corporation believes it can enhance its products, technology and intellectual property by acquiring selective intellectual property or by acquiring companies with complementary products.

Although the Corporation intends to expend the net proceeds from the Offering as set forth above, there may be circumstances where for sound business reasons, a reallocation of funds may be prudent or necessary, and may vary materially from that set forth above. See "Risk Factors". The Corporation is currently incurring expenditures related to the Corporation's operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Corporation's control. There is no assurance that sufficient revenues will be generated in the near future, and the Corporation may continue to incur negative operating cash flow. The Corporation may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

The following table sets out the consolidated capitalization of the Corporation as of September 30, 2013, both before and after giving effect to the Offering. Other than as described below, there has not been any material change in the share and loan capital of the Corporation, on a consolidated basis, since September 30, 2013.

	As at September 30, 2013	**As at September 30, 2013 after giving effect to the Offering**[(1)]
	(US$)	**(US$)**
Debt	3,000,000	3,000,000
Share capital (unlimited authorized)[(2)]	90,878,136	•
Share-based payment reserve	1,251,946	1,251,946
Deficit	(82,217,086)	(82,217,086)
Total shareholders' equity	9,912,996	•
Total capitalization[(3)]	12,912,996	•
	(46,354,941 Common Shares)	(• Common Shares)

Notes:

(1) Assumes the Over-Allotment Option is not exercised. Based on the issuance of • Units for total gross proceeds of $ • , less the Agents' Fee of $ • and expenses of the Offering estimated to be $ • . In the event that the Over-Allotment Option is exercised in full, the total gross proceeds for the Units would be $ • , less the Agents' Fee of $ • and expenses of the Offering estimated to be $ • .

(2) Does not give effect to (i) the exercise of outstanding options to acquire up to an aggregate of 2,016,769 Common Shares pursuant to the Corporation's stock option plan at prices ranging from $0.53 and $0.934 per Common Share with expiry dates to February 10, 2021, (ii) the issuance of up to an aggregate of 2,026,908 Common Shares pursuant to the Corporation's restricted share unit plan, (iii) the exercise of outstanding options/warrants issued to a lender and prior agents for the issuance of up to an aggregate of 1,300,088 Common Shares at prices ranging from $0.55 and $0.934 per Common Share with expiry dates to February 5, 2016, (iv) the exercise of outstanding charitable options for the issuance of up to an aggregate of 16,435 Common Shares at a price of $0.77 per Common Share with an expiry date of May 5, 2016, and (v) the issuance of 6,111,418 Common Shares on December 12, 2013 pursuant to a brokered private placement (the "**Private Placement**") for net proceeds of $3,361,280.

(3) "Total capitalization" includes long-term debt plus shareholders' equity.

Since September 30, 2013, there have been no material changes to the share and loan capital of the Corporation except for: (i) the grant of options to purchase up to 362,000 Common Shares pursuant to the Corporation's stock option plan; (ii) the award of 514,000 restricted share units pursuant to the Corporation's restricted share unit plan; (iii) the issuance of 6,111,418 Common Shares pursuant to the Private Placement; and (iv) the issuance of 466,368 compensation options on December 12, 2013 to agents in connection with the Private Placement.

TRADING PRICE AND VOLUME

The Common Shares are listed for trading on the Exchange under the stock symbol "SEV". The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Common Shares on the Exchange:

Month	High ($)	Low ($)	Volume
March 2013	0.80	0.62	68,883
April 2013	0.84	0.67	167,464
May 2013	0.82	0.70	50,514
June 2013	0.80	0.64	18,544
July 2013	0.70	0.70	63,264
August 2013	0.81	0.69	39,182
September 2013	0.85	0.70	52,226
October 2013	0.88	0.70	793,446
November 2013	0.82	0.405	2,008,199
December 2013	0.74	0.62	232,087
January 2014	0.71	0.54	284,464
February 2014	0.56	0.40	236,896
March 2014 (1-3)	0.46	0.43	0.43

As the close of business on March 3, 2014, the last trading day prior to the date of this short form prospectus, the price of the Common Shares as quoted by the Exchange was $0.43.

PRIOR SALES

The following table sets forth the date on, number of and prices at which the Corporation has issued Common Shares or securities that are convertible or exercisable into Common Shares in the 12 months preceding the date hereof:

Common Shares

Date of Issue	Number of Common Shares	Issue Price
June 19, 2013	9,000,000(1)	$0.60
July 26, 2013	66,666(1)	$0.60
August 21, 2013	154,046(2)	Deemed price of $0.59
December 12, 2013	6,111,418(2)	$0.55

Restricted Share Units(3)

Date of Issue	Number of Common Shares Underlying
April 16, 2013	110,000
June 17, 2013	300,000
July 29, 2013	25,000
August 7, 2013	45,000

Restricted Share Units[3]

Date of Issue	Number of Common Shares Underlying
August 13, 2013	75,000
October 4, 2013	242,000
November 4, 2013	25,000
November 19, 2013	40,000
December 12, 2013	15,000
January 23, 2014	92,000
February 10, 2014	100,000

Stock Options[4]

Date of Issue	Number of Common Shares Issuable on Exercise of Options	Exercise Price	Expiry Date
April 16, 2013	110,000	$0.80	April 16, 2020
June 17, 2013	300,000	$0.75	June 17, 2020
July 29, 2013	25,000	$0.73	July 29, 2020
August 7, 2013	45,000	$0.73	August 7, 2020
August 13, 2013	75,000	$0.73	August 13, 2020
October 4, 2013	90,000	$0.76	October 4, 2020
November 4, 2013	25,000	$0.80	November 4, 2020
November 19, 2013	40,000	$0.58	November 19, 2020
December 12, 2013	15,000	$0.62	December 12, 2020
January 23, 2014	92,000	$0.62	January 23, 2021
February 10, 2014	100,000	$0.53	February 10, 2021

Options/Warrants

Date of Issue	Number of Common Shares Issuable on Exercise of Options/Warrants	Exercise Price	Expiry Date
June 19, 2013	673,120[1]	$0.60	June 19, 2015
December 12, 2013	466,368[1]	$0.55	December 12, 2015

Notes:

(1) Issued in connection with a brokered private placement.
(2) Issued in connection with a shares for debt transaction.
(3) Issued pursuant to the Corporation's restricted share unit plan.
(4) Issued pursuant to the Corporation's stock option plan.

DIVIDEND RECORD AND POLICY

The Corporation has never declared nor paid dividends on the Common Shares. Currently, the Corporation intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the Common Shares in the near future, although the Corporation reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Corporation. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

This short form prospectus qualifies the distribution of Units. Each Unit consists of one Common Share and one Warrant. The Common Shares and the Warrants comprising the Units will separate immediately upon closing of the Offering. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of $ • on or before 5:00 p.m. (Toronto time) on the date that is • months from the Closing Date, after which time the Warrants will be void and of no value.

Common Shares

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Corporation other than meetings of the holders of another class of shares. Each holder of Common Shares is also entitled to receive dividends if, as and when declared by the board of directors of the Corporation. Holders of Common Shares are entitled to participate in any distribution of the Corporation's net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

Warrants

The Warrants will be governed by the terms of a warrant indenture (the "**Warrant Indenture**") to be entered into between the Corporation and Olympia Transfer Services Inc. (the "**Warrant Agent**"). The following summary of certain anticipated provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. Reference is made to the Warrant Indenture for the full text of the attributes of the Warrants which will be filed by the Corporation under its corporate profile on SEDAR following the closing of the Offering. A register of holders will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including:

(a) the issuance of common shares or securities exchangeable for or convertible into common shares to all or substantially all of the holders of the common shares as a stock dividend or other distribution (other than a dividend paid in the ordinary course or a distribution of Common Shares upon the exercise of any outstanding warrants or options);

(b) the subdivision, redivision or change of the common shares into a greater number of shares;

(c) the reduction, combination or consolidation of the common shares into a lesser number of shares;

(d) the issuance to all or substantially all of the holders of the common shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase common shares, or securities exchangeable for or convertible into common shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the common shares on such record date; and

(e) the issuance or distribution to all or substantially all of the holders of the common shares of shares of any class other than the common shares, rights, options or warrants to acquire common shares or securities exchangeable or convertible into common shares or other assets of the Corporation, or evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (a) reclassifications of the common shares, (b) consolidations, amalgamations, arrangements, mergers or other business combination of the Corporation with or into another entity (other than an amalgamation, arrangement or merger which does not result in any reclassification of the outstanding common shares or a change of the common shares into other shares), or (c) any sale, lease, exchange or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another entity.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of common shares would have.

From time to time, the Corporation and the Warrant Agent, without the consent of or notice to the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution or (2) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

None of the Units, the Common Shares, the Warrants or the Warrant Shares have been or will be registered under the U.S. Securities Act. The Warrants may not be transferred except (i) to the Corporation or (ii) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and the Warrants may not be exercised by any U.S. person, any person in the United States or any person for the account or benefit of a U.S. person except by original purchasers of the Units in certain transactions exempt from the registration requirements of the U.S. Securities Act. The terms “United States” and “U.S. person” have the meanings ascribed to them in Regulation S under the U.S. Securities Act.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Corporation has appointed the Agents and the Agents have agreed to distribute on a best efforts fully marketed basis, in accordance with the terms and conditions set out in the Agency Agreement, • Units at a price of $ • per Unit, for aggregate gross proceeds of $ • .

Each Unit will consist of one Common Share and one Warrant. Each Warrant will entitle the holder thereof to purchase one Warrant Share at the Offering Price at any time prior to 5:00 p.m. (Toronto time) on the date that is • months following the Closing Date. The Warrants will be created and issued pursuant to the terms of the Warrant Indenture to be dated as of the Closing Date between the Corporation and the Warrant Agent. The Warrant Indenture will contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events. No fractional Warrants will be issued. The Offering Price was determined by arm’s length negotiation between the Corporation and the Lead Agent, on behalf of the Agents, with reference to the prevailing market price of the Common Shares.

The Corporation has granted to the Agents the Over-Allotment Option exercisable in whole or in part at the sole discretion of the Agents at any time up to 30 days following the Closing Date, to purchase up to an aggregate of • additional Units (representing up to 15% of the number of Units sold on the Closing Date pursuant to the Offering), at the Offering Price, payable in cash against delivery of those additional Units. The Over-Allotment Option is exercisable in whole or in part solely for the purpose of covering over-allotments, if any, made by the Agents in connection with the Offering and for market stabilization purposes. If the Offering is fully subscribed and the Over-

Allotment Option is exercised in full, the total price to the public, Agents' Fee and net proceeds to the Corporation before deducting other expenses of the Offering, will be $ • , $ • and $ • , respectively. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares and Warrants issued and sold upon the exercise of the Over-Allotment Option and the Warrant Shares issuable upon the exercise of the Warrants. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context otherwise requires, references to Common Shares, Warrants and Warrant Shares shall include the Over-Allotment Option and all of the securities issuable upon exercise of the Over-Allotment Option.

The Agency Agreement provides that the Corporation shall pay the Agents the Agents' Fee equal to 6% of the gross proceeds of the Offering.

As additional compensation, the Corporation will issue to the Agents that number of non-transferable Broker Warrants equal to 8% of the total number of Units sold under the Offering. Each Broker Warrant will be exercisable for one Unit at the Offering Price for a period of 12 months after the Closing Date. Upon completion of the Offering, the Corporation will grant the Agents an aggregate of • Broker Warrants (• Broker Warrants if the Over-Allotment Option is exercised in full). The Broker Warrants have not been and will not be registered under the U.S. Securities Act or any state securities laws. In addition to the Common Shares and Warrants comprising the Units, this short form prospectus also qualifies the distribution of Broker Warrants to the Agents (including any Broker Warrants issuable on exercise of the Over-Allotment Option) and the Common Shares and Warrants issuable on exercise of the Broker Warrants.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. However, the distribution of Units will not continue for a period of more than 90 days after the date the final receipt is issued for this short form prospectus or such later date as the Corporation and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this short form prospectus and the regulator issuing a receipt for such amendment).

On the Closing Date, the Units will be available for delivery in book entry form through CDS or its nominee and will be deposited through CDS. Purchasers of Units will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Units are purchased.

The obligations of the Agents under the Agency Agreement may be terminated at the discretion of the Agents upon the occurrence of certain events stipulated in the Agency Agreement. The Agents are not obligated to advance their own funds to purchase any of the Units. The Corporation has agreed to indemnify the Agents and their respective directors, officers and employees against certain liabilities, including civil liabilities under Canadian provincial securities legislation, as set out in the Agency Agreement.

The Corporation and each of its senior officers and directors, and its shareholders holding 20% or more of the Common Shares (on a fully diluted basis), and each such shareholder's associates and affiliates, have agreed not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation for a period of 90 days after the Closing Date, without the prior written consent of the Lead Agent, such consent not to be unreasonably withheld, except, as applicable in the case of the Corporation or the applicable person, in conjunction with (i) the grant or exercise of stock options and other similar issuances pursuant to the stock option plan of the Corporation and other share compensation arrangements; (ii) pursuant to the award of restricted share units pursuant to the Corporation's restricted share unit plan and the issuance of Common Shares upon vesting of awards under the plan; (iii) the exercise of outstanding warrants; (iv) obligations of the Corporation in respect of existing agreements; (v) the issuance of securities by the Corporation in connection with acquisitions in the normal course of business; or (vi) in the case of a person other than the Corporation, in order to accept a bona fide take-over bid made to all securityholders of the Corporation or similar business combination transaction.

The Corporation has applied to list the Common Shares and Warrants which form part of the Units distributed under this short form prospectus and the Warrants Shares issuable upon exercise of the Warrants on the Exchange, including any Common Shares and Warrant Shares issued upon exercise of the Over-Allotment Option and upon exercise of the Broker Warrants. Listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

The Offering is being made in each province of Canada, except Québec. The Common Shares and Warrants to be issued pursuant to the Offering have not been registered under the U.S. Securities Act, or any state securities laws, and may not be offered, sold or delivered within the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period ending on the date the selling process for the Common Shares ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares. The foregoing restrictions are subject to certain exceptions including: (i) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the Exchange in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; (ii) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Agents or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. In connection with this Offering, the Agents 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, including: short sales; purchases to cover positions created by short sales; imposition of penalty bids; syndicate covering transactions and stabilizing transactions.

No action has been taken in any jurisdiction by the Corporation or the Agents that would permit a public offering of the Units, other than in Canada. No offer or sale of the Units may be made in any jurisdiction except in compliance with the applicable laws thereof. Persons receiving this short form prospectus are responsible for informing themselves about and observing any restrictions as to the Offering and the distribution of this short form prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and McCarthy Tétrault LLP, counsel to the Agents, the following is, as of the date of this short form prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, deals at arm's length with the Corporation and the Agents, is not affiliated with the Corporation or the Agents, and who acquires and holds the Common Shares, including any Warrant Shares acquired on the exercise of Warrants, (hereinafter sometimes collectively referred to as "**Shares**") and Warrants as capital property (a "**Holder**"). Generally, the Shares and Warrants will be considered to be capital property to a Holder thereof provided that the Holder does not use the Shares or Warrants in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii), an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; or (v) that has or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to the Units. Such Holders should consult their own tax advisors with respect to an investment in Units.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Units.

This summary is based upon the current provisions of the Tax Act and the regulations made thereunder (the "**Regulations**") in force as of the date hereof and counsel's understanding of the current administrative and assessing practices of the Canada Revenue Agency (the "**CRA**") published by it in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. **Holders should consult their own tax advisors with respect to their particular circumstances.**

Allocation of Cost

A Holder will be required to allocate the purchase price of each Unit between the Common Share and each Warrant comprising a Unit on a reasonable basis to determine the cost of each security to the Holder for purposes of the Tax Act.

For its purposes, the Corporation intends to allocate $ • of the issue price of each Unit as consideration for the issue of each Common Share and $ • of the issue price of each Unit for the issue of each Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Common Share comprising a part of each Unit will be determined by averaging the cost allocated to the Common Share with the adjusted cost base to the Holder of all common shares of the Corporation owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all common shares of the Corporation owned by the Holder as capital property immediately prior to such acquisition.

Resident Holders

The following section of this summary applies to Holders ("**Resident Holders**") who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times. A Resident Holder whose Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Shares, and every other "Canadian security" as defined in the Tax Act, held by such person, in the taxation year of the election and each subsequent taxation year to be capital property. This election does not apply to Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Dividends

Dividends received or deemed to be received on the Shares will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of "eligible dividends" designated by the Corporation to the Resident Holder in accordance with the provisions of the Tax Act.

Dividends received or deemed to be received by a corporation that is a Resident Holder of the Shares must be included in computing its income but generally will be deductible in computing its taxable income. A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing taxable income. This refundable tax generally will be refunded to a Resident Holder that is a corporation at the rate of $1.00 for each $3.00 of taxable dividends paid while it is a private corporation.

Dispositions of Shares and Warrants

Upon a disposition (or a deemed disposition) of a Share or a Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "Capital Gains and Capital Losses".

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which will include taxable capital gains. This refundable tax generally will be refunded to a Resident Holder that is a corporation at the rate of $1.00 for each $3.00 of taxable dividends paid while it is a private corporation.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act.

Non-Resident Holders

The following section of this summary is generally applicable to Holders ("**Non-Resident Holders**") who (i) for the purposes of the Tax Act, are neither resident nor deemed to be resident in Canada at any time while they hold the Shares or Warrants; and (ii) do not use or hold and are not deemed to use or hold the Shares or Warrants in carrying on a business in Canada. Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Corporation are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980) (the "**Treaty**") as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a "**U.S. Holder**") is generally limited to 15% of the gross amount of the dividend. Non-Resident Holders should consult their own tax advisors.

Dispositions of Shares and Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share or a Warrant, unless the Share or Warrant constitutes "taxable Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Generally, provided the Shares are listed on a "designated stock exchange", as defined in the Tax Act (which currently includes the Exchange), at the time of disposition, the Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Corporation; and (ii) more than 50% of the fair market value of the shares of the Corporation was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a Share or Warrant may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

Non-Resident Holders whose Shares or Warrants may constitute taxable Canadian property should consult their own tax advisors.

RISK FACTORS

An investment in the Units offered hereunder is speculative and involves a high degree of risk that should be carefully considered by a prospective purchaser. Before deciding whether to invest in the Units, prospective investors should carefully consider, in light of their own financial circumstances, the risks described below and those incorporated by reference into this short form prospectus, including in the AIF and those described in the Corporation's management's discussion and analysis. See "Documents Incorporated by Reference". The risks discussed below also include forward-looking statements and the Corporation's actual results may differ *substantially from those discussed in these forward-looking statements. See "Forward-Looking Statements."*

Risks Related to this Offering and the Common Shares

The Common Shares are Subject to Market Price Volatility

The market price of the Common Shares may be adversely affected by a variety of factors relating to the Corporation's business, including fluctuations in the Corporation's operating and financial results, the results of any public announcements made by the Corporation and the Corporation's failure to meet analysts' expectations. In addition, from time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Corporation's performance. Additionally, the value of the Common Shares is subject to market value fluctuations based upon factors that influence the Corporation's operations, such as legislative or regulatory developments, competition, technological change, global capital market activity and changes in interest and currency rates. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

The value of Common Shares will be affected by the general creditworthiness of the Corporation. The AIF and the Corporation's management's discussion and analysis are incorporated by reference in this short form prospectus and discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations.

The market value of the Common Shares may also be affected by the Corporation's financial results and political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Corporation is a part.

Potential Dilution

The Corporation's articles of incorporation and by-laws allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as established by the board of directors of the Corporation, in many cases, without the approval of the Corporation's shareholders. As part of this Offering, the Corporation could issue up to • Common Shares (which number includes the • Common Shares issuable if the Over-Allotment Option is exercised in full by the Agents and • Common Shares issuable if the Warrants are exercised). The Corporation may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable for Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Corporation may experience dilution in its earnings per share.

Forward-Looking Statements May Prove to be Inaccurate

Investors should not place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties can be found in this short form prospectus under the heading "Forward-Looking Statements".

The Corporation May Use the Proceeds of the Offering for Purposes Other Than Those Set Out in this Short Form Prospectus

The Corporation currently intends to allocate the net proceeds received from the Offering as described under the heading "Use of Proceeds" in this short form prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described under the heading "Use of Proceeds" if it believes that it would be in the best interests of the Corporation to do so if circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

Going Concern Risk

The ability of the Corporation to continue as a going concern is dependent upon the Corporation's ability to generate revenues and expand its product line. The Corporation incurred a net loss of US$3.2 million in the three months ended September 30, 2013 (unaudited) and US$13.2 million for the twelve months ended September 30, 2013 (unaudited) and had a shareholders deficit of US$82 million as at September 30, 2013 (unaudited), up from US$68 million a year earlier.

To date, the Corporation has funded operations through private equity placements and bank financing. The ability of the Corporation to continue as a going concern is also dependent on either achieving profitable operations and/or raising sufficient funds. While the Corporation completed successful private placements in June 2013 and December 2013, there can be no assurance that the Corporation will be able to do so in the future. The Corporation continues to experience negative operating cash flow. Absent any significant increase of revenue of the Corporation's products in the next year, the Corporation anticipates continuing to experience negative cash flow for the next year.

Negative Operating Cash Flow

The Corporation is currently incurring expenditures related to the Corporation's operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Corporation's control. There is no assurance that sufficient revenues will be generated in the near future, and the Corporation may continue to incur negative operating cash flow.

Potential need for additional financing

Despite the anticipated net proceeds from the Offering, the Corporation may require additional financing, including through the sale of assets and/or the issue and sale of equity or debt securities if various events alone or in combination occur. There can be no assurance that the Corporation will be able to obtain necessary financing in a timely manner or on acceptable terms, if at all.

INTEREST OF EXPERTS

Each of Aird & Berlis LLP and McCarthy Tétrault LLP is considered to be an expert for the purposes of this short form prospectus and the documents incorporated by reference herein.

Neither Aird & Berlis LLP nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. As of the date hereof, Aird & Berlis LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

Neither McCarthy Tétrault LLP nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. As of the date hereof, McCarthy Tétrault LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte LLP, Chartered Accountants, Toronto, Ontario.

The registrar and transfer agent of the Common Shares is Olympia Transfer Services Inc. at its principal office in Toronto, Ontario.

EXEMPTIONS

The Corporation has applied for exemptive relief from the requirement to incorporate by reference into this preliminary short form prospectus the Corporation's non-offering prospectus dated December 21, 2012, including the financial statements, prepared in connection with the Qualifying Transaction on the basis that the information contained therein has been modified or superseded by a statement contained in this short form prospectus or in other subsequently filed documents incorporated by reference in this short form prospectus, or on the basis that the information contained therein is no longer relevant. The granting of the exemption will be evidenced by the issuance of a receipt in respect of the final short form prospectus.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers 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 the 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 limit 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.

CERTIFICATE OF SPECTRA7 MICROSYSTEMS INC.

Dated: March 4, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, excluding Québec.

(Signed) Tony Stelliga Chief Executive Officer	(Signed) Robert Bosomworth Chief Financial Officer

On behalf of the Board of Directors of
Spectra7 Microsystems Inc.

(Signed) Roger Maggs Director	(Signed) Brian Antonen Director

CERTIFICATE OF THE AGENTS

Dated: March 4, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada, excluding Québec.

CANACCORD GENUITY CORP.

(Signed) Brent Layton

GLOBAL MAXFIN CAPITAL INC.	**MACKIE RESEARCH CAPITAL CORPORATION**	**PI FINANCIAL CORP.**
(Signed) Dean McPherson	(Signed) Bill Wasson	(Signed) Blake Corbet