A copy of this preliminary short form prospectus has been filed with the securities regulatory authority in British Columbia, Alberta and Ontario 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 authorized to sell such securities. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws, and may not be offered or sold in the United States, except in transactions exempt from the registration requirements of the 1933 Act and any applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to any U.S. Person. See "Plan of Distribution".

Information has been incorporated by reference in this 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 the Secretary of 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 | May 19, 2015

SPECTRA 7 MICROSYSTEMS INC.

12,494,765 Common Shares and 6,247,383 Common Share Purchase Warrants Issuable on Exercise of Outstanding Special Warrants

This short form prospectus qualifies for distribution 12,494,765 units (the "**Units**") of Spectra7 Microsystems Inc. (the "**Company**"), each comprised of one common share (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**") issuable for no additional consideration upon the exercise or deemed exercise of 12,494,765 issued and outstanding special warrants of the Company (the "**Special Warrants**"). On May 4, 2015 (the "**Closing Date**"), the Company issued 12,494,765 Special Warrants at a price of $0.70 (the "**Offering Price**") per Special Warrant to purchasers in certain Provinces of Canada on a private placement basis pursuant to exemptions from the prospectus requirements of applicable securities legislation (the "**Offering**"). Each of the Warrants will entitle the holder thereof to purchase one additional common share in the capital of the Company (a "**Warrant Share**") at a price of $0.90 on or before May 4, 2017 (the "**Warrant Expiry Date**"). The Warrant Expiry Date may be accelerated by the Company at any time following the ninth month after the Closing Date, but prior to the date that is 30 days prior to the Warrant Expiry Date, if the volume weighted average price of the common shares of the Company on the TSX Venture Exchange (the "**Exchange**") is greater than $1.30 for any 20 non-consecutive days after the Closing Date.

The Special Warrants were issued pursuant to the terms of a special warrant indenture (the "**Special Warrant Indenture**") dated May 4, 2015 entered into between the Company and Computershare Trust Company of Canada (the "**Special Warrant Agent**") and, in respect to 12,322,250 Special Warrants (the "**Brokered Financing**"), in accordance with an underwriting agreement (the "**Underwriting Agreement**") dated May 4, 2015 among the Company, Mackie Research Capital Corporation ("**Mackie**") as lead underwriter and sole book runner, PI Financial Corp. and Global Maxfin Capital Inc. (collectively, the "**Underwriters**"). A total of 172,515 Special Warrants (the "**Non-Brokered Financing**") were issued on a non-brokered basis. The Special Warrants are not available for purchase pursuant to this short form prospectus and no additional funds are to be received by the Company from the distribution of the Units and any Additional Qualified Units (as defined below) upon the deemed exercise of the Special Warrants.

The outstanding common shares of the Company (the "**Common Shares**") are listed on the Exchange under the trading symbol "SEV". On April 29, 2015, the Exchange approved the listing of the Unit Shares and Warrant Shares. On April 15, 2015, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the Exchange was $0.80 per Common Share. On May15, 2015, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the Exchange was $0.62 per Common Share. The Offering Price and the other terms of the Offering were determined by negotiation between the Company and the Underwriters. See "*Plan of Distribution*".

	Price to Public	**Underwriters' Fee**(1), (3)	**Net Proceeds to the Company**(2)
Per Special Warrant under the Brokered Financing	$0.70	$0.042	$0.658
Per Special Warrant under the Non-Brokered Financing	$0.70	Nil	$0.70
Total Offering.......................................	$8,746,335.50	$510,226.50	$8,236,109

Notes:

(1) The Company paid a cash fee equal to 6.0% of the aggregate gross proceeds of the Brokered Financing (the "**Underwriters' Fee**") to the Underwriters pursuant to the Underwriting Agreement; provided, however, such fee was reduced to 3% of the aggregate gross proceeds for certain "president's list" subscribers. See "Plan of Distribution".

(2) Before deducting expenses of the Offering and expenses of the qualification for distribution of the Unit Shares and Warrants which are estimated to be, in aggregate, approximately $450,000.

(3) The Company also issued to the Underwriters 728,895 non-transferable options (the "**Special Compensation Options**"). Each Special Compensation Option is convertible, on a one-for-one basis, into compensation options (the "**Compensation Options**") upon the Deemed Exercise Date (as defined below). Each Compensation Option shall be exercisable at any time up to 24 months following the Closing Date to purchase one Unit (collectively, the "**Compensation Option Units**"), at an exercise price of $0.70 per Compensation Option Unit. This prospectus also qualifies the distribution of the Unit Shares and Warrants upon exercise of the Compensation Option Units. See "Plan of Distribution".

Underwriters' Position	**Maximum Number of Securities Available**	**Exercise Period**	**Exercise Price**
Compensation Options	728,895 Compensation Option Units	On or before May 4, 2017	$0.70 per Compensation Option Unit

Pursuant to the Special Warrant Indenture, each Special Warrant is exercisable, without payment of any additional consideration, into one Unit at any time on or after the Closing Date, and all unexercised Special Warrants will be deemed to be exercised at 4:59 p.m. (Toronto time) on the date ("**Deemed Exercise Date**") that is the earlier of: (i) the deemed exercise date provided for in the exercise notice provided that such date shall be no later than the third business day after the date on which a Final Passport System Decision Document (defined below) is received from the Ontario Securities Commission (the "**OSC**") (the "**Qualifying Date**"); and (ii) September 5, 2015. The Company agreed to use its commercially reasonable best efforts to obtain a final decision document issued by the OSC, which is deemed to also be a receipt of the securities commissions of the Provinces of Alberta and British Columbia (as Ontario, Alberta and British Columbia were the provinces in which the Special Warrants were sold), pursuant to Multilateral Instrument 11-102 – *Passport System* and National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions* (a "**Final Passport System Decision Document**") prior to June 18, 2015 (the "**Qualification Deadline**").

In the event that the Final Passport System Decision Document is not received by the Qualification Deadline, each Special Warrant will thereafter entitle the holder to receive 1.1 Unit Shares and 0.55 of a Warrant (in lieu of 1.0 Unit Share and 0.5 of a Warrant) upon the deemed exercise of the Special Warrants (the "**Penalty Provision**"). The additional 0.1 of a Unit Share and 0.05 of a Warrant to be issued upon the deemed exercise of each Special Warrant after the Qualification Deadline has passed are collectively referred to as the "**Additional Qualified Units**". This prospectus also qualifies the distribution of any Additional Qualified Units upon the deemed exercise of the Special Warrants. See "Plan of Distribution".

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements of applicable securities legislation in the Provinces of Ontario, Alberta and British Columbia and in jurisdictions outside Canada in compliance with laws applicable to each such subscriber, respectively, and were issued under and are governed by the Special Warrant Indenture. There is no market through which the Special Warrants may be sold and none is expected to develop. However, pursuant to the terms of the Special Warrant Indenture, the Special Warrants will be deemed to be exercised upon the Deemed Exercise Date.

Any Unit Shares, Warrants and Warrant Shares issued upon the exercise of Special Warrants prior to the receipt of a Final Passport Decision Document will be subject to the relevant hold periods under applicable securities legislation.

The Special Warrants issued in connection with the Brokered Financing have been issued as non-certificated securities registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**"). No certificates representing Special Warrants were issued to subscribers, except to one subscriber resident in the United States in connection with the Non-Brokered Financing. Upon exercise or deemed exercise of the Special Warrants, it is anticipated that evidence of ownership representing the Unit Shares and Warrants will be issued in non-certificated form and registered to CDS or its nominee and deposited with CDS on the day following the date of exercise or the Deemed Exercise Date. No certificates evidencing Unit Shares and Warrants issued on exercise or deemed exercise of the Special Warrants will be issued to subscribers, except to one subscriber resident in the United States in connection with the Non-Brokered Financing, and registration will be made through the depository services of CDS.

Certain legal matters in connection with the Offering and this short form prospectus have been or will be reviewed on behalf of the Company by Aird & Berlis LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

In the opinion of Aird & Berlis LLP, counsel to the Company and Blake, Cassels & Graydon LLP, counsel to the Underwriters, provided that the Unit Shares and Warrant Shares are listed on a designated stock exchange under the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") (which currently includes the Exchange), the Unit Shares and Warrant Shares would be, if issued on the date hereof, qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. In addition, provided that the Warrant Shares are listed on a designated stock exchange under the Tax Act and neither the Company, nor any person with whom the Company does not deal at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular plan, the Warrants would, if issued on the date hereof, also be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Company has not authorized anyone to provide investors with different information. The Company is not offering the Unit Shares and Warrants in any jurisdiction in which such offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus.

An investment in the Unit Shares and Warrants is subject to certain risks. The risk factors included or incorporated by reference in this short form prospectus should be carefully reviewed and considered by purchasers in connection with an investment in the Unit Shares and Warrants. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*" in this short form prospectus and in the AIF (defined below).

Each of Tony Stelliga, Robert Dobkin and Roger Maggs, directors of the Company, and Charito Alcantara and Andrew Kim, both officers of the Company, 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 Company's head and registered office is located at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1 and its telephone number is (905) 480-9109.

In this short form prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the provisions of Tax Act at the date hereof, provided that the Unit Shares and Warrant Shares are listed on a designated stock exchange under the Tax Act (which currently includes the Exchange), the Unit Shares 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**") (collectively, "**Registered Plans**"). In addition, provided that the Warrant Shares are listed on a designated stock exchange under the Tax Act and neither the Company, nor any person with whom the Company does not deal at arm's length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Registered Plan, the Warrants would, if issued on the date hereof, also be qualified investments for a trust governed by a Registered Plan.

Notwithstanding that the Unit Shares, Warrants and Warrant Shares may be a qualified investment for a trust governed by an RRSP, RRIF or TFSA, the annuitant under such RRSP or RRIF or the holder of such 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. Unit Shares, Warrants and Warrant Shares will not be a "prohibited investment" for an RRSP, RRIF or TFSA provided that the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, (i) deals at arm's length with the Company within the meaning of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Company. In addition, Unit Shares and Warrant Shares will not be a prohibited investment if such securities are "excluded property" as defined in the Tax Act for trusts governed by an RRSP, RRIF or TFSA. Annuitants under RRSPs or RRIFs and holders of TFSAs who wish to hold Unit Shares, Warrants or Warrant Shares in such plans should consult their own tax advisors.

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 Company's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company 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 Company'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 Company. These forward-looking statements are made as of the date of this short form prospectus and the Company 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 Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis.

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 Company 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 OSC, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

(a) the annual information form of the Company dated May 12, 2015 (the "**AIF**") for the year ended December 31, 2014;

(b) the audited consolidated financial statements of the Company as at and for the year ended December 31, 2014 and as at and for the fifteen months ended December 31, 2013, together with the notes thereto and the current auditor's report and predecessor auditor's report respectively, contained therein, as filed on SEDAR on May 11, 2015;

(c) management's discussion and analysis of the Company for the year ended December 31, 2014;

(d) the material change report of the Company dated and filed on April 24, 2015 with respect to the announcement of the Offering;

(e) the material change report of the Company dated and filed on May 7, 2015 with respect to the closing of the Offering; and

(f) the management information circular of the Company dated May 12, 2015.

Any document of the type referred to in the preceding paragraph (excluding confidential material change reports) filed by the Company 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

In this short form prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars.

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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:

	Three months ended March 31, 2015	**Year ended December 31, 2014**	**Year ended December 31, 2013**
As at end of period	$1.28	$1.156	$1.062
Low for the period	$1.16	$1.058	$0.9815
High for the period	$1.28	$1.167	$1.073

The noon exchange rate on May 15, 2015, as reported by the Bank of Canada for the exchange of one United States dollar into Canadian dollars, was US$1.00 per $1.201.

SUMMARY DESCRIPTION OF THE BUSINESS

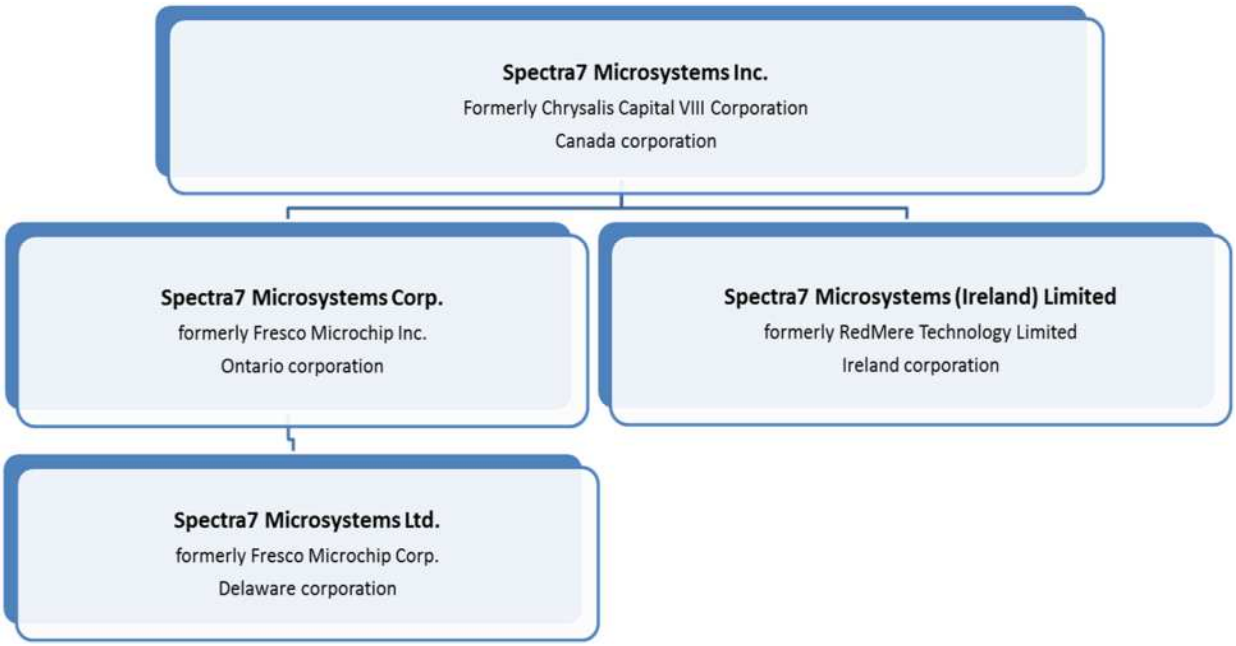
This summary does not contain all the information that may be important to you in deciding whether to invest in the Units. You should read the entire short form prospectus, including the section entitled "Risk Factors" and any documents incorporated by reference herein, before making such decision.

Overview

The Company 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 Company were amended by the filing of articles of amendment dated April 19, 2011 to remove certain provisions. On November 26, 2012, the Company filed articles of amendment to correct certain errors in the articles of amendment filed on April 19, 2011. On February 5, 2013, the Company's articles were amended to consolidate its Common Shares by a ratio of 3.86364:1 and to change its name to "Spectra7 Microsystems Inc." The registered and head office of the Company is located at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1. The Company is currently a reporting issuer in all provinces in Canada, except Quebec.

On July 12, 2012, the Company 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 Company 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 Company's qualifying transaction under the policies of the Exchange, the former shareholders of Fresco acquired control of the Company.

The following chart sets out the material subsidiaries of the Company as at the date hereof.



Business of the Company

Summary

The Company is a high performance analog chip company that delivers consumer connectivity at ultra-high bandwidth, speed and resolution to enable disruptive industrial design for leading consumer electronics manufacturers in virtual reality, wearable computing and ultra-HD 4K/8K displays. The Company believes that its products are lighter, thinner and faster and have higher resolution than current products available in the market. The Company is based in Palo Alto, California with design centres in Markham, Ontario and Cork, Ireland.

Revenue is derived from the sale of integrated circuits, electronic components, marketing and product licensing agreements and licensing of intellectual property. The Company has two revenue generating product lines featuring products in volume mass production: (a) interconnect products ("**Interconnect Products**"); and (b) wireless products ("**Wireless Products**"). Interconnect Products feature the Company's patented signal processing technology used in designing "active" cables and specialty interconnects which enable longer, thinner and lighter interconnects for virtual reality ("**VR**"), wearable computing (VR product line) and Ultra HD 4K and next generation 8K Displays (DisplayDirect™ and HomeTheater™ product lines). The Company's Wireless Products are legacy products that are based on analog demodulator silicon IP which are licensed to leading system-on-chip and TV manufacturers.

Currently, the Company sells products primarily through distributors who sell on to cable and consumer product manufacturers. The Company intends to contract directly with manufacturers in the future under a licence to build, sell or deliver the product to OEMs.

The Company's strength lies in its proprietary signal processing technology and its ability to transform the technology into products that make consumer electronic products smaller, lighter, clearer, faster and less expensive than, the Company believes, current products available in the market. The consumer market is subject to changes in technology and product trends and the Company must continually work to advance its technical advantages. The Company has a team of engineers and technologists that are engaged in software, firmware and integrated circuit design. It has 41 issued patents granted and 11 pending. The Company relies on a combination of patents, trademarks, contractual agreements, licenses and other methods to protect its intellectual property.

Existing Products

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

Virtual Reality "VR": The quickly emerging VR market requires light, thin interconnects capable of handling ultra-high band-with of up to 50 Gbps speeds to power head-mounted displays ("**HMD**") with near zero latency. Any latency in the link would cause the consumer experience to be degraded, disoriented and of lower quality. The Company's technology enables "thinning" of multiple discreet cables that deliver video and data. It also allows for selective consolidation of up to four bulky passive individual cables (for USB, HDMI and power and audio) to be consolidated into a single, unified, ultra-light, ultra-thin active cable.

HD Displays: Recent increases in display resolution for digital signage, 4KTV, UltraHD TV and panels have caused the electronics and power in these systems to increase dramatically in cost, weight and bulk. The resultant products are therefore thicker and heavier. The Company's technology enables them to reduce the thickness of their panels by moving the power, electronic/video processing and audio functions out of the TV into the set-top box or remote unit.

HD Interconnects: The Company delivers consumer aftermarket cables and mobile connectivity directly to leading retail brands which can provide ultra-thin and/or ultra-long cables for a wide range of markets when designed and built with the Company's technology inside. The Company is working with OEMs and retail brands to further develop the thinner, faster and longer HDMI cables and interconnects available for both the installer and consumer markets.

The Company is currently sampling, developing or producing four product groups for consumer products markets:

1. Virtual Reality

DisplayDirectVR is a signal processing chip used to connect lightweight wearable computing devices such as HMDs to their computing platform, which may be a mobile phone, laptop or gaming computer. This processing chip makes the video cable to head mounted displays dramatically thinner and lighter in weight by enabling the removal of most of the bulky, heavy copper in the cable. This product commenced production in 2014 and development is continuing as the virtual reality market is still in the early stages of development.

2. HomeTheater™

The Company's HomeTheater™ product line consists of a series of semiconductor chips and associated embedded modules that are embedded inside a standard passive HDMI cable. This makes a standard "passive cable" actually "active" with the Company's chips performing signal processing to make the signal reach further. As a result, the cable's reach can be extended by up to 400% compared to non-active or passive cables. The Company has patented this method and technology, including how to power the chip inside the cable, by "harvesting" the power from the video signals. The Company has customers, such as Monster Cable and its network of installers that are using active cables which include the Company's HomeTheater™ technology. These products have been in production for a number of years. The Company continues to refresh its product lines as demand for higher speeds and capacity are required for the UltraHD and 4K TV markets.

3. DisplayDirect™

DisplayDirect™ is a semiconductor product or "chip set" that may also be bundled or sold with a high speed cable. Display Direct is used to transmit high speed video and control signals and power at up to 50Gbps from the control box or set top box to the glass panel over a thin, flexible cable. New UltraHD TVs require significantly higher speeds to fill the higher resolution displays, yet need to be light and thin. DisplayDirect™ is expected to enable the manufacture of lighter and thinner televisions to displace the bulky power supplies and processing electronics inside the TV panel into an external unit, thereby dramatically reducing the size, weight and mounting components for the flat panel TV. DisplayDirect™ is expected to achieve this by separating much of the electronics, including the power, power supplies, video processing electronics and internal cabling, from the glass display and putting them in a remote unit.. This product is in development with customer sampling expected later this year.

4. CouchConnect™

The Company's CouchConnect™ product line consists of a series of semiconductor chips and carrier modules that are inserted into a retail mobile connectivity HDMI cable manufacturing process that yield thin, lightweight and less expensive cable assemblies when compared to a passive cable of equal length. CouchConnect™ is 16.5 feet long. In contrast, standard passive HDMI cables that are the same width as CouchConnect™ often only reach 4-6 feet, and cables that can reach a longer distance are often thicker, heavier and more expensive. CouchConnect™ also employs the micro-HDMI connector used in some tablets and smartphones for a direct connection. CouchConnect is currently in production and is sold on walmart.com.

Licensing

The Company has a portfolio of technology and occasionally licenses technology to strategic customers. These applications typically consist of external to TV interfaces such as broadcast tuner demodulators.

For more information on the Company and its activities, please refer to the AIF filed on SEDAR which is incorporated herein by reference.

USE OF PROCEEDS

The net proceeds from the Offering, which were received by the Company on May 4, 2015, are estimated to be approximately $7,786,000, after deduction of the Underwriters' Fee of $510,226 and estimated expenses of the Offering of $450,000.

The Company intends to use the net proceeds from the Offering of $7,786,000 (approximately US$6,429,000 based on the noon exchange rate on May 4, 2015 as reported by the Bank of Canada of CDN$0.8257:US$1.00) as follows:

Use of Proceeds	**(US$)**
Sources:	
Net proceeds of the Offering	$6,429,000
Uses:	
Principal repayments of indebtedness[(1)]	$1,000,000
Interest payable on indebtedness[(1)]	$41,000
Research and Development[(2)]	$3,279,000
General corporate purposes[(3)]	$2,109,000
Total:	$6,429,000

Notes:

(1) To be paid in US$100,000 increments over a ten month period commencing June 2015. Currently, the principal amount of indebtedness owing to the Lender (as hereinafter defined) under the Loan Agreement (as hereinafter defined) is approximately US$1,500,000. After such payments are made over such ten month period, approximately US$500,000, plus interest will be outstanding to the Lender under the Loan Agreement. See "Business Objectives and Milestones".

(2) A total of US$3,279,000 is estimated to be spent on research and development costs for continuing development of VR products and DisplayDirect™. The estimate is based on a period of seven months commencing June 2015. Research and development costs consist mainly of compensation for engineering staff and the cost of their design tools, project related costs for the production of sample semi-conductors ("tape-out") and purchases or licensing of intellectual property from third parties to be incorporated in the Company's design. The Company conducts all of its own research and development. Compensation and design tool costs are incurred regularly over time. Tape-out and intellectual

property purchases are incurred at milestones during the product development cycle. See "Business Objectives and Milestones".

(3) A total of US$2,109,000 is expected to be spent on general corporate purposes based on a period of seven months commencing June 2015. General corporate purposes include compensation, travel, rent, insurance, office supplies and other expenses related to sales, marketing and general and administrative activities. It also includes costs of external auditors, legal, public listing costs, and cost of patent registration and protection.

Business Objectives and Milestones

Research and Development

The Company intends to use a portion of the net proceeds of the Offering for research and development to enable the Company to expedite product development and increase the availability of new products. The following is a description of the Company's primary research and development activities for which the net proceeds of the Offering will be used, including the major components, the anticipated timing and the anticipated associated cost:

(a) Virtual Reality – Production of the Company's first set of virtual reality products started in 2014 with shipments to a major customer. This market is in the development stage and is forecasted to grow quickly over the next 18 months. The Company expects to achieve design wins over the next three quarters with numerous customers each of which will require research and development activity and support. The Company intends to use approximately US$1,640,000 of the net proceeds of the Offering on research and development of its virtual reality products.

(b) DisplayDirect™ – DisplayDirect™ is in development. The tape-out was completed in May, 2015 and customer sampling is anticipated later this year with volume production expected in the first half of 2016. The Company intends to use approximately US$984,000 of the net proceeds of the Offering on research and development of DisplayDirect™.

(c) Other Products – The Company is also working with potential customers on the development of new products including HDMI 3.0 and HDMI 3.1 standards, the new Type-C USB connection and higher speed HomeTheater™ products expected in the first half of 2016. The Company intends to use approximately US$655,000 of the net proceeds of the Offering for the initial development of other products.

Debt Repayment

A total of approximately US$1,500,000 principal amount of indebtedness is currently outstanding under the Loan Agreement. The Company intends to use US$1,000,000 of the net proceeds of the Offering over a ten month period commencing June, 2015 for repayments of principal and US$41,000 for interest payments. The indebtedness was incurred as a working capital facility, the proceeds of which were used by the Company for general working capital, including salaries, rent, IP licenses and other operating costs. After such payments are made over such ten month period, approximately US$500,000, plus interest will be outstanding to the Lender under the Loan Agreement.

Although the Company 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 becomes prudent or necessary, and may vary materially from that set forth above. See "Risk Factors".

The Company is currently incurring expenditures related to the Company's operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Company's control. There is no assurance that sufficient revenues will be generated in the near future, and the Company may continue to incur negative operating cash flow. The Company may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding. See "Risk Factors".

CONSOLIDATED CAPITALIZATION OF THE COMPANY

The following table sets out the consolidated capitalization of the Company as of December 31, 2014, both before and after giving effect to the Offering (assuming the due exercise of Special Warrants into Units). Other than as described below, there has not been any material change in the share and loan capital of the Company, on a consolidated basis, since December 31, 2014.

	As at December 31, 2014	**As at December 31, 2014 after giving effect to the Offering**
	(US$)	**(US$)[1]**
Debt associated with term loan[2]...	2,000,000	2,000,000
Share capital (unlimited authorized)[3]...................................	105,078,025	111,205,809
Share-based payment reserve	1,532,063	1,605,488
Warrants	232,778	459,734
Deficit	(97,538,913)	(97,538,913)
Accumulated other comprehensive loss	(77,529)	(77,529)
Total shareholders' equity...	9,226,424	15,654,589
Total capitalization[4]...	13,041,316	17,654,589
	(92,762,669 Common Shares)	(105,257,434 Common Shares)

Notes:

(1) The net proceeds from the Offering is estimated to be $7,786,000 (approximately US$6,429,000 based on the noon exchange rate on May 4, 2015 as reported by the Bank of Canada of CDN$0.8257:US$1.00).

(2) The Company's debt associated with its term loan was classified as a current liability as at December 31, 2014.

(3) The foregoing gives effect to the exercise or deemed exercise of Special Warrants into Unit Shares and Warrants as well as the conversion of Special Compensation Options into Compensation Options, but does not give effect to (i) the exercise of outstanding options to acquire up to an aggregate of 3,840,276 Common Shares pursuant to the Company's stock option plan at prices ranging from $0.36 and $0.934 per Common Share with expiry dates to April 16, 2022, (ii) the issuance of up to an aggregate of 3,271,714 Common Shares pursuant to the Company'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 839,316 Common Shares at prices ranging from $0.40825 and $0.934 per Common Share with expiry dates to August 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 $0.773 per Common Share with an expiry date of May 5, 2016, (v) the exercise of 6,247,388 Warrants issued as part of the Offering or (vi) the exercise of any of the 728,895 Compensation Options.

(4) "Total capitalization" includes total liabilities plus shareholders' equity.

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**
May, 2014	$0.46	$0.32	2,982,887
June, 2014	$0.57	$0.40	3,920,298
July, 2014	$0.46	$0.36	2,763,130
August, 2014	$0.48	$0.36	1,138,318
September, 2014	$0.72	$0.32	36,160,261
October, 2014	$0.85	$0.51	18,706,640
November, 2014	$1.04	$0.59	13,880,903

Month	High ($)	Low ($)	Volume
December, 2014	$1.00	$0.49	7,369,599
January, 2015	$0.75	$0.425	12,582,372
February, 2015	$0.60	$0.465	4,374,131
March, 2015	$0.78	$0.435	19,089,708
April, 2015	$0.86	$0.57	22,752,568
May (1-15, 2015)	$0.66	$0.58	2,465,094

As the close of business on May 15, 2015, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares as quoted by the Exchange was $0.62.

PRIOR SALES

The following table sets forth the date on, number of and prices at which the Company 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
October 6, 2014(1)	1,154,739	$0.30
October 6, 2014(1)	30,849	$0.55
October 7, 2014(1)	15,000	$0.30
October 9, 2014(2)	48,500	$0.45
October 10, 2014(2)	30,000	$0.45
October 14, 2014(2)	346,500	$0.45
October 15, 2014(2)	817,317	$0.45
October 15, 2014(1)	286,971	$0.30
October 17, 2014(2)	160,000	$0.45
October 20, 2014(2)	3,938	$0.45
October 21, 2014(2)	19,500	$0.45
October 23, 2014(2)	232,946	$0.45
October 24, 2014(2)	10,000	$0.45
October 27, 2014(2)	25,000	$0.45
October 28, 2014(2)	28,000	$0.45
October 30, 2014(2)	115,000	$0.45
October 31, 2014(1)	288,438	$0.55
November 4, 2014(2)	20,000	$0.45
November 10, 2014(2)	1,400,000	$0.45
November 12, 2014(1)	7,371	$0.55
November 13, 2014(2)	4,956,500	$0.45
November 14, 2014(2)	102,700	$0.45
November 17, 2014(2)	155,000	$0.45
November 18, 2014(2)	385,000	$0.45
November 19, 2014(2)	8,000	$0.45
November 21, 2014(2)	519,833	$0.45
November 24, 2014(2)	232,000	$0.45
November 26, 2014(2)	34,000	$0.45
November 26, 2014(1)	170,000	$0.60
November 27, 2014(2)	97,000	$0.45
December 1, 2014(2)	10,000	$0.45
December 2, 2014(2)	78,000	$0.45
December 4, 2014(1)	50,000	$0.30

Common Shares

Date of Issue	Number of Common Shares	Issue Price
December 5, 2014(2)	51,000	$0.45
December 16, 2014(3)	825,959	$0.56
February 3, 2015(1)	100,000	$0.30
February 4, 2015(1)	50,000	$0.30
February 9, 2015(1)	64,667	$0.30
February 10, 2015(2)	20,000	$0.45
February 13, 2015(2)	50,000	$0.45
February 16, 2015(2)	12,800	$0.45
March 5, 2015(2)	250,000	$0.45
March 6, 2015(2)	43,493	$0.45
March 9, 2015(2)	80,000	$0.45
March 10, 2015(2)	76,000	$0.45
March 11, 2015(2)	227,507	$0.45
March 12, 2015(2)	282,993	$0.45
March 13, 2015(2)	958,000	$0.45
March 16, 2015(2)	536,000	$0.45
March 17, 2015(2)	198,000	$0.45
March 18, 2015(2)	447,000	$0.45
March 19, 2015(2)	743,122	$0.45
March 20, 2015(2)	298,667	$0.45
March 23, 2015(2)	744,126	$0.45
March 24, 2015(1)	425,289	$0.30
March 24, 2015(2)	842,000	$0.45
March 25, 2015(2)	3,904,141	$0.45
March 26, 2015(2)	2,494,168	$0.45
March 27, 2015(2)	6,694,683	$0.45
March 31, 2015(1)	13,104	$0.55

Restricted Share Units(4)

Date of Issue	Number of Common Shares Underlying
May 27, 2014	60,000
November 17, 2014	629,776
November 24, 2014	40,000
December 18, 2014	92,500
January 27, 2015	215,000
March 30, 2015	1,123,000
April 16, 2015	70,000

Stock Options(5)

Date of Issue	Number of Common Shares Issuable on Exercise of Options	Exercise Price	Expiry Date
May 27, 2014	60,000	$0.36	May 27, 2021
November 17, 2014	629,776	$0.92	November 17, 2021
November 24, 2014	40,000	$0.92	November 24, 2021
December 18, 2014	92,500	$0.73	December 18, 2021
January 27, 2015	215,000	$0.53	January 27, 2022
March 30,2015	1,123,000	$0.66	November 11, 2016
April 16, 2015	70,000	$0.80	April 16, 2022

Warrants

Date of Issue	Number of Common Shares Issuable on Exercise of Warrants	Exercise Price	Expiry Date
November 11, 2014	2,500,000(6)	$0.60	August 31, 2016

Special Warrants

Date of Issue	Number of Common Shares Issuable on Exercise of Special Warrants	Issue Price
May 4, 2015	18,742,148(9)	$0.70

Special Compensation Options(7)

Date of Issue	Number of Common Shares Issuable on Exercise of Special Compensation Options	Exercise Price	Expiry Date
May 4, 2015	1,093,342(8)	$0.70	May 4, 2017

Notes:

(1) Issued in connection with the exercise of compensation options.
(2) Issued upon the exercise of Common Share purchase warrants issued in connection with the March 2014 public offering of units of the Company, with each unit consisting of one Common Share and one Common Share purchase warrant exercisable at a price of $0.45 until March 28, 2015.
(3) Issued in connection with the settlement of awards pursuant to the Company's restricted share unit plan.
(4) Issued pursuant to the Company's restricted share unit plan.
(5) Issued pursuant to the Company's stock option plan.
(6) These warrants were cancelled effective December 20, 2014.
(7) Special Compensation Options are convertible into Compensation Options on the Deemed Exercise Date.
(8) Assumes exercise of all securities underlying the 728,895 Special Compensation Options.
(9) Assumes exercise of all securities underlying the Special Warrants.

DIVIDEND RECORD AND POLICY

The Company has never declared nor paid dividends on the Common Shares. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and the Company does not anticipate declaring or paying any dividends on the Common Shares in the near future, although the Company reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Company. 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 upon exercise or deemed exercise of the Special Warrants. Each Unit consists of one Common Share and one-half of one Warrant.

Common Shares

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Company 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 Company. Holders of Common Shares are entitled to participate in any distribution of the Company'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.

Special Warrants

The Special Warrants were issued pursuant to and are governed by the Special Warrant Indenture. The following summary of certain provisions of the Special Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Special Warrant Indenture, a copy of which is available at www.sedar.com or which may be obtained on request without charge from the Company at 110 Cochrane Drive, Suite 200, Markham, Ontario L3R 9S1, Canada L4W 4Y9, telephone number is (905) 480-9109.

Pursuant to the Special Warrant Indenture, each Special Warrant is exercisable, without payment of any additional consideration, into one Unit Share and one-half of one Warrant at any time following the Closing Date, and all unexercised Special Warrants will be deemed to be exercised at 4:59 p.m. (Toronto time) on the Deemed Exercise Date, that is the earlier of: (i) the deemed exercise date provided for in the exercise notice provided that such date shall be no later than the third business day after the Qualifying Date; and (ii) September 5, 2015.

In the event that the Final Passport Decision Document is not received by the Qualification Deadline, each Special Warrant will thereafter entitle the holder to receive 1.1 Unit Shares and 0.55 of a Warrant (in lieu of 1.0 Unit Share and 0.5 of a Warrant) upon the deemed exercise of the Special Warrants.

The Special Warrant Indenture provides that in the event of certain alterations of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of a capital reorganization of the Company, including any amalgamation, merger or arrangement or a sale or conveyance of the property or assets of the Company, as an entirety or substantially an entirety, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional securities will be issued upon the exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of the Company or entitle the holder to any right or interest in respect thereof except as expressly provided in the Special Warrant Indenture.

The Special Warrant Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of the holders of Special Warrants in accordance with the provisions of the Special Warrant Indenture and resolutions signed by the holders of a specified majority of Special Warrants then outstanding.

Warrants

The Warrants will be issued pursuant to and are governed by the terms of a warrant indenture (the "**Warrant Indenture**") entered into between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"). The following summary of certain 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, a copy of which is available at www.sedar.com or may be obtained on request without charge from the Company. A register of holders will be maintained at the principal offices of the Warrant Agent in Toronto, Ontario.

Each whole Warrant will entitle the holder thereof to purchase one Warrant Share at a price of $0.90 on or before the Warrant Expiry Date. The Warrant Expiry Date may be accelerated by the Company at any time following the ninth month after the Closing Date, but prior to the date that is 30 days prior to the Warrant Expiry Date, if the volume weighted average price of the Common Shares on the Exchange is greater than $1.30 for any 20 non-consecutive days after the Closing Date.

The Warrant Indenture provides 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 Warrants or pursuant to the exercise of stock options granted under the stock option plan of the Company);

(b) the subdivision, redivision or change of the outstanding Common Shares into a greater number of Common Shares;

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

(d) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, 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 fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (i) shares of any class other than the Common Shares, (ii) rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares, (iii) evidences of indebtedness or (iv) cash, securities or any property or other assets.

The Warrant Indenture also provides 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, plan of arrangements, mergers or other business combination of the Company with or into another entity (other than a consolidation, amalgamation, plan of 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 (other than to a subsidiary of the Company) of the undertaking or assets of the Company as an entirety or substantially as an entirety to another entity.

The Company also covenants 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 Company 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 is 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 Company 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

This short form prospectus is being filed in the Provinces of Ontario, British Columbia and Alberta, to qualify the distribution of 12,494,765 Units issuable upon the exercise or deemed exercise of 12,494,765 Special Warrants.

On May 4, 2015, the Company completed the Brokered Financing on a private placement basis pursuant to exemptions from the prospectus requirements of applicable securities legislation through the Underwriters pursuant to the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriters agreed to purchase or arrange substitute purchasers for 12,322,250 Special Warrants at a price of $0.70 per Special Warrant. On the same day as the closing of the Brokered Financing, the Company also sold a total of 172,515 Special Warrants on a non-brokered basis in connection with the Non-Brokered Financing. Pursuant to the Underwriting Agreement, the Company has paid a fee of $510,266.50 to the Underwriters (excluding reimbursement for certain expenses incurred in connection with the Offering by the Underwriters). The Offering Price was determined by negotiation between the Company and the Underwriters. The Company also granted to the Underwriters a total of 728,895 Special Compensation Options (which is equal to 6% of the number of Units (3% for "president's list" subscribers) issued pursuant to the Brokered Financing). Each Special Compensation Option is convertible, on a one-for-one basis, into Compensation Options upon the Deemed Exercise Date. Each Compensation Option shall be exercisable at any time up to 24 months following the Closing Date to purchase one Compensation Option Unit at an exercise price of $0.70 per Compensation Option Unit. This prospectus also qualifies the distribution of the Unit Shares and Warrants upon exercise of the Compensation Option Units. No cash fees or Special Compensation Options were issued in connection with the Non-Brokered Financing.

Pursuant to the Underwriting Agreement, the Company has agreed to use its commercially reasonable best efforts to prepare and file this preliminary short form prospectus under the applicable securities laws in each of the Provinces of Ontario, British Columbia and Alberta, to satisfy all comments from the regulators in each of the Provinces of Canada with respect to this preliminary short form prospectus and to obtain a Final Passport System Decision Document from the OSC for a final short form prospectus qualifying the distribution of the Unit Shares and Warrants in the Provinces of Ontario, British Columbia and Alberta by no later than the Qualification Deadline.

In the event that the Final Passport Decision Document is not received by the Qualification Deadline, each Special Warrant will thereafter entitle the holder to receive 1.1 Unit Shares and 0.55 of a Warrant (in lieu of 1.0 Unit Share and 0.5 of a Warrant) upon the deemed exercise of the Special Warrants. This prospectus also qualifies the distribution of any Additional Qualified Units upon the deemed exercise of the Special Warrants.

Any Unit Shares and Warrants issued upon exercise of Special Warrants prior to the issuance of a Final Passport System Decision Document will be subject to relevant hold periods under applicable securities legislation. Since the Closing Date, no Special Warrants have been exercised.

The Special Warrants have been issued as non-certificated securities registered in the name of CDS, except for the Subscribers resident in the U.S.. No certificates representing Special Warrants have been or will be issued to subscribers, except to one subscriber resident in the United States in connection with the Non-Brokered Financing, and registration will be made only through the depository services of CDS.

All transfers or exercises of Special Warrants (except those held by one subscriber resident in the United States in connection with the Non-Brokered Financing) shall occur in accordance with CDS' rules and procedures. The rights of a holder of Special Warrants shall be exercised only through CDS and the CDS participants and shall be limited to those established by law and agreements between such holders and CDS and the CDS participants upon instructions from the CDS participants.

The Company has agreed to indemnify the Underwriters and their affiliates and each of the directors, officers, employees, partners and agents of the Underwriters against certain liabilities and expenses.

On the Closing Date and pursuant to the Underwriting Agreement, the directors and certain officers of the Company executed agreements with the Underwriters pursuant to which they agreed not to, for a period ending on the date that is 120 days following the Closing Date, directly or indirectly, whether by private placement or otherwise, (i) offer, sell, contract to sell, transfer, assign, secure, pledge, lend or otherwise dispose of any Common Shares or other securities of the Company owned, directly or indirectly, by such officers or directors or their associates, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of any Common Shares or securities of the Company, or (iii) otherwise publicly announce any intention to do any of the activities restricted by (i) and (ii) above unless (A) the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed) has been obtained, or (B) there is a take-over bid or similar transaction involving a change of control of the Company to which such persons will tender or exchange their Common Shares or securities of the Company.

On April 29, 2015, the Exchange approved the listing of the Unit Shares and Warrant Shares. On April 15, 2015, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the Exchange was $0.80 per Common Share. On May 15, 2015, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the Exchange was $0.62 per Common Share.

Evidence of ownership of the Unit Shares and Warrants will be issued in non-certificated form to CDS or its nominee and will be deposited with CDS on the day following the date of exercise or the Deemed Exercise Date. Except in certain limited circumstances, such as the issuance of definitive certificates to U.S. holders, no certificates evidencing Unit Shares and Warrants will be issued, and registration will be made only through the depository services of CDS.

Evidence of ownership of the Warrant Shares will be issued as non-certificated securities registered in the name of CDS or its nominee, except for the Subscribers resident in the U.S.. No certificates representing Warrants or Warrant Shares, when issued, have been or will be issued to subscribers, except to one subscriber resident in the United States in connection with the Non-Brokered Financing, and registration will be made only through the depository services of CDS.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a beneficial owner of Special Warrants who acquires Unit Shares and Warrants pursuant to the exercise or deemed exercise of Special Warrants, and Warrant Shares on the exercise of such Warrants, and who, for the purposes of the application of the Tax Act and at all relevant times, (i) is, or is deemed to be, resident in Canada, (ii) deals at arm's length with the Company and the Underwriters, (iii) is not affiliated with the Company or the Underwriters, and (iv) holds the Special Warrants, and will hold any Unit Shares and Warrants and any Warrant Shares issued on the exercise of Warrants, as capital property. Persons meeting all such requirements are referred to as a "**Holder**" or "**Holders**" herein, and this summary only addresses such Holders.

Special Warrants, Unit Shares, Warrants and Warrant Shares will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade. Holders whose Unit Shares or Warrant Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Unit Shares, Warrant Shares, and every other "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years be deemed to be capital property. Holders whose Unit Shares or Warrant Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election will not apply in respect of Special Warrants or Warrants.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act for the purpose of the mark-to-market rules, (ii) an interest in which would be a "tax shelter investment", as defined in the Tax Act, (iii) that is a "specified financial institution", as defined in the Tax Act, (iv) that has made a "functional currency" reporting election under the Tax Act to determine its Canadian tax results in a foreign currency, or (v) that has entered into, or will enter into, a "derivative forward agreement" or "synthetic disposition arrangement", as defined in the Tax Act, with respect to the Special Warrants, Unit Shares, Warrants or Warrant Shares. Additional considerations, not addressed here, may apply 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 Special Warrants, Unit Shares, Warrants or Warrant Shares, controlled by a non-resident corporation for the purposes of section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition or holding of Special Warrants, Unit Shares, Warrants or Warrant Shares.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisor having regard to their own particular circumstances.

Acquisition of Unit Shares and Warrants Pursuant to Special Warrants

A Holder of a Special Warrant will not realize any gain or loss upon the acquisition of a Unit Share and one-half of one Warrant (or 1.1 Unit Shares and 0.55 of a Warrant in the case the Penalty Provision applies) pursuant to the deemed exercise of the Special Warrants. Holders will be required to allocate on a reasonable basis their cost of the Special Warrant between the Unit Share and one-half of one Warrant in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Company intends to allocate $0.69 to each Unit Share and $0.01 to the one-half of one Warrant. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise or Expiry 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 owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading "Taxation of Capital Gains and Capital Losses".

Dispositions of Unit Shares, Warrant Shares and Warrants

Upon a disposition or deemed disposition of a Unit Share or a Warrant Share or a Warrant (not including the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit Share, the Warrant Share or the Warrant, as the case may be, to the Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under "Taxation of Capital Gains and Capital Losses".

Taxation of Capital Gains and Capital Losses

Generally, a 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 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 Holder. Allowable capital losses in excess of taxable capital gains in a taxation year 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 subject to the restrictions contained in the Tax Act.

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

A Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable for a 6 $^{2}/_{3}$% tax, a portion of which may be refundable, on certain investment income including amounts in respect of taxable capital gains.

Dividends

Dividends received or deemed to be received by a Holder on the Unit Shares or Warrant Shares will be included in computing the Holder's income for purposes of the Tax Act. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Company provides notice to the recipient designating the dividend as an "eligible dividend" for purposes of the Tax Act. Dividends received or deemed to be received on the Unit Shares or the Warrant Shares by a Holder that is a corporation will generally be deductible in computing its taxable income, subject to all applicable restrictions under the Tax Act.

"Private corporations" (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 special tax of 33 $^{1}/_{3}$% (refundable in certain circumstances) on dividends received or deemed to be received on the Unit Shares or Warrant Shares to the extent that such dividends are deductible in computing the corporation's taxable income. Holders to whom these rules may be relevant should consult their own tax advisors.

Minimum Tax

Capital gains realized and dividends received by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Holders should consult their own tax advisors with respect to the application of minimum tax.

RISK FACTORS

An investment in the securities 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 securities offered hereunder, 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 Company's management's discussion and analysis. See "Documents Incorporated by Reference". The risks discussed below also include forward-looking statements and the Company's actual results may differ substantially from those discussed in these forward-looking statements. See "Forward-Looking Statements."

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 Company's business, including fluctuations in the Company's operating and financial results, the results of any public announcements made by the Company and the Company'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 Company's performance. Additionally, the value of the Common Shares is subject to market value fluctuations based upon factors that influence the Company'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 Company's performance.

The value of Common Shares will be affected by the general creditworthiness of the Company. The AIF and the Company'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 Company's business, financial condition or results of operations.

The market value of the Common Shares may also be affected by the Company'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 Company is a part.

Potential Dilution

The Company'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 Company and, in many cases, without the approval of the Company's shareholders. As part of this Offering, the Company could issue up to 18,742,148 Common Shares (which number includes 6,247,383 Common Shares issuable if the Warrants are exercised but excludes any Common Shares issuable in the event that the Compensation Options are exercised or the Penalty Provision is incurred). The Company 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, the settlement of restricted share units or other securities exercisable for Common Shares. The Company 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 Company 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 “Cautionary Note Regarding Forward-Looking Information”.

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

The Company 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 Company 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 Company.

Negative Operating Cash Flow

The Company has made significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to rapidly develop and expand its business. The Company is currently incurring expenditures related to the Company’s operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Company’s control. There is no assurance that sufficient revenues will be generated in the near future. Because the Company continues to incur such significant future expenditures for research and development, sales and marketing, and general and administrative expenses, the Company may continue to experience negative cash flow until it reaches a sufficient level of sales with positive gross margins to cover operating expenses. An inability to generate positive cash flow until the Company reaches a sufficient level of sales with positive gross margins to cover operating expenses or raise additional capital on reasonable terms will adversely affect the Company’s viability as an operating business.

Potential Need for Additional Financing

To date, the Company has funded operations through private equity placements, public offerings and bank financing. Despite the anticipated net proceeds from the Offering, the Company may require additional financing in the future, including through the sale of assets and/or the issue and sale of equity or debt securities. The Company’s activities do have scope for flexibility in terms of the amount and timing of expenditure, and expenditures may be adjusted accordingly. However, further operations will require additional capital and will depend on the Company’s ability to obtain financing through debt, equity or other means. The Company’s ability to meet its obligations and maintain operations may be contingent upon successful completion of additional financing arrangements. There is no assurance that the Company will be successful in obtaining the required financing in the future or that such financing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of the Company.

Borrowing Risks and Loan Default

The Company’s loan agreement (“**Loan Agreement**”) with a Schedule III bank (the “**Lender**”) imposes covenants and obligations on the part of the Company. In particular, the Loan Agreement contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the loan facilities contained in the Loan Agreement, the Lender realizing on its security, or diminished availability of refinancing alternatives or increase the associated costs thereof.

As at the date of this short form prospectus, the Company had approximately U.S. $1,500,000 of indebtedness drawn under the Loan Agreement. The Loan Agreement has been amended on a number of occasions to amend certain financial covenants and to waive certain breaches of the covenants. Although the Company is not currently in default of the financial covenants in the Loan Agreement, there can be no assurance that the Company will be in compliance with covenants in the future due to unforeseen events of circumstances, some of which are outlined in this “Risk Factors” section.

Risks Relating to Research and Development Milestones

The Company expects to use a significant portion of the net proceeds of the Offering for research and development purposes. As indicated under the heading “Use of Proceeds” and “Business Objectives and Milestones” sections, the Company has stated development plans for its major components. The ability of the Company to meet its anticipated milestones, or to meet the time periods contemplated, may be impacted by a number of factors, including technical challenges that would delay tape-out, competitive products entering the market, a failure to meet customer specifications, or changes in customers’ design, development or product plans. There is no assurance that the Company’s anticipated milestones will be achieved within the time periods specified, or at all. The failure to achieve such milestones could negatively impact the Company’s ability to raise additional funds required for operations and research and development activities and could, in turn, impact the financial viability of the Company. There is also no assurance that the Company’s research and development activities will result in commercially viable products.

Warrants Not Listed

The Warrants comprising the Units will not be listed securities and accordingly, it is not expected that a market for trading of the Warrants will develop.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is MNP LLP, Chartered Professional Accountants, Toronto, Ontario.

The registrar and transfer agent of the Common Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

INTEREST OF EXPERTS

Each of Aird & Berlis LLP and Blake, Cassels & Graydon 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 Company 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 Blake, Cassels & Graydon LLP nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Company or any of its associates or affiliates. As of the date hereof, Blake, Cassels & Graydon LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

MNP LLP is the auditor of the Company which is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

PURCHASERS’ STATUTORY RIGHTS

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, 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 adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

Pursuant to the terms of the subscription agreements between the Company and the purchasers of the Special Warrants, the Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Unit Shares and Warrants on exercise of the Special Warrant as provided for in this short form prospectus is, or becomes, entitled under securities legislation of a jurisdiction to the remedy of rescission because this short form prospectus or an amendment to this short form prospectus contains a misrepresentation, such holder shall, subject to available defences and any limitation period under applicable securities laws, be entitled to rescission not only of the holder's exercise or deemed exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired (i.e. the Offering), and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrants. In the event that such holder is a permitted assignee of the interest of the original purchaser of the Special Warrants, such permitted assignee shall be permitted to exercise the rights of rescission and refund granted as if such permitted assignee was such original purchaser.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

CERTIFICATE OF THE COMPANY

Dated: May 19, 2015

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 the Provinces of Ontario, British Columbia and Alberta.

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

On behalf of the Board of Directors

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

CERTIFICATE OF THE UNDERWRITERS

Dated: May 19, 2015

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 the Provinces of Ontario, British Columbia and Alberta.

MACKIE RESEARCH CAPITAL CORPORATION

By: (Signed) Paul Rajchgod

PI FINANCIAL CORP.

By: (Signed) Blake Corbet

GLOBAL MAXFIN CAPITAL INC.

By: (Signed) Dean McPherson