SPECTRA7 MICROSYSTEMS INC.

Annual Information Form

for the year ended

December 31, 2016

March 29, 2017

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form ("**AIF**"), and in certain documents incorporated by reference in this AIF, constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this AIF and in documents incorporated by reference in this AIF, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of Spectra7 Microsystems Inc. ("**Spectra7**" or the "**Corporation**") 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.

Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Spectra7 set out under "Description of the Business". 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. 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 AIF and in documents incorporated by reference in this AIF 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 AIF 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 AIF and in documents incorporated by reference in this AIF 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:

- the degree of competition in the business areas in which we operate;
- our ability to secure orders from a limited number of customers;
- our ability to make the substantial research and development investments required to remain competitive;
- our ability to charge prices that will result in favorable gross margins;
- our ability to introduce new or enhanced products on a timely basis;
- market demand and penetration of new markets for our products and services;
- our reliance on a limited number of third party manufacturers;
- the absence of long-term supply contracts with any of the Corporation's third-party vendors and potential disruption in supply of products or materials;
- our ability to contain and appropriately budget expenses, due to our limited operating history;
- the length of the sales cycle required to establish design wins and bring design wins to production;

- reliance on distributors;
- our ability to deliver our products in the correct product mix required by our customers and ability to control order and shipment uncertainties;
- the substantial quarterly and annual fluctuations in our operating results;
- our dependence on existing members of the senior management team;
- our 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;
- our ability to protect our intellectual and intangible properties;
- the use of open source software;
- reliance on third parties to provide services and technology;
- going concern risk;
- impact of negative cash flow from operating activities;
- potential losses to our facilities or distribution system due to catastrophes;
- compliance with various governmental regulations and related costs of compliance;
- cyclicality in the semiconductor industry;
- conformity of the Corporation's products to industry standards;
- unanticipated changes in our tax rates;
- fluctuation of share price;
- decline in share price due to the absence of, or negative reports, about the business by securities or industry analysts;
- adverse international economic conditions adversely affect consumer spending;
- general political and economic conditions in the countries in which we operate;
- strain on our resources as a result of the requirements of being a public company;
- litigation risk;
- market price volatility and potential impact on share price;
- our potential need for additional financings in order to meet future capital requirements for our operations;
- our potential to breach certain covenants, representations and warranties in our loan arrangements;
- our ability to declare dividends; and
- our ability to meet significant research and development milestones.

In addition to the factors set out above and those identified in this AIF under "Risk Factors", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Spectra7 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.

The forward-looking statements in this AIF are based on numerous assumptions regarding Spectra7's present and future business strategies and the environment in which Spectra7 will operate in the future, including, without limitation, assumptions regarding business and operating strategies, and Spectra7's ability to operate on a profitable basis. Spectra7 does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

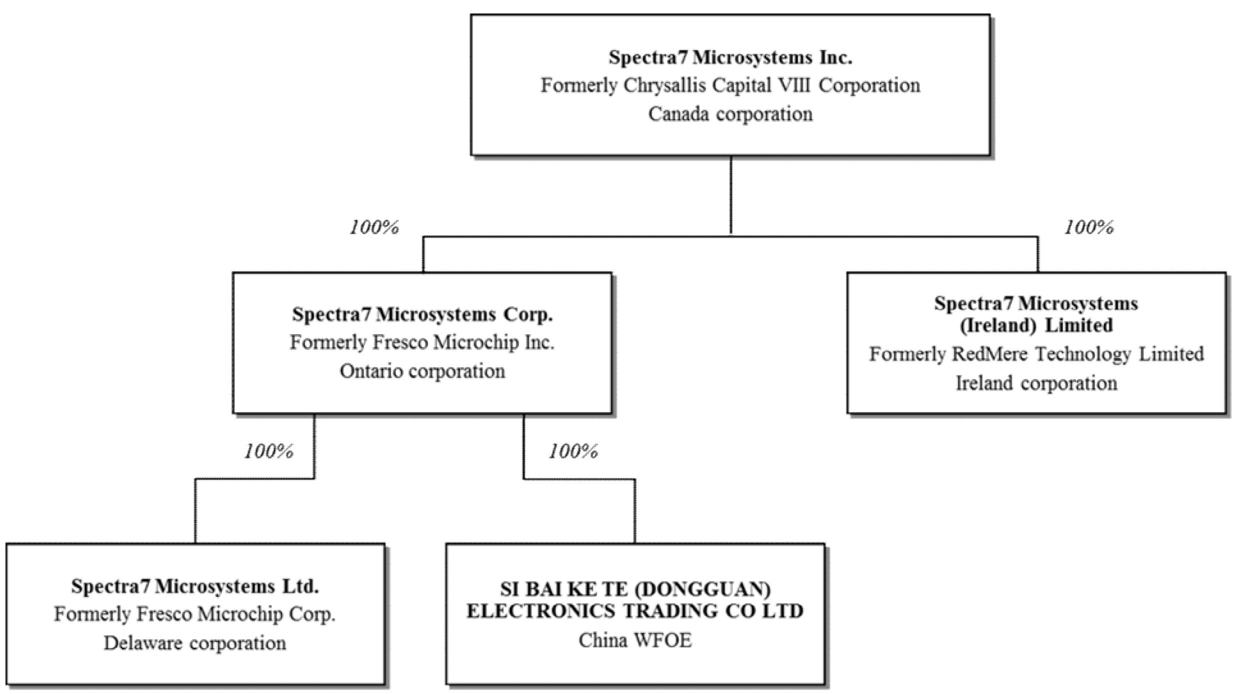
CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This AIF has been prepared using a number of conventions, which a reader should consider when reading the information contained herein. The term "Corporation" or "Spectra7", is a reference to Spectra7 Microsystems Inc. itself, or to Spectra7 Microsystems Inc. and its consolidated subsidiaries, as the context requires.

Unless otherwise indicated, all dollar amounts in this AIF are expressed in Canadian dollars**.**

CORPORATE STRUCTURE

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 202, Markham, Ontario L3R 9S1. The Corporation is currently a reporting issuer in each of the provinces of Canada, excluding Québec.
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.



GENERAL DEVELOPMENT OF THE BUSINESS

Inception to February 2013

The Corporation was created as a capital pool company pursuant to the policies of the TSX Venture Exchange (the "**TSXV**"). The Corporation completed its initial public offering on May 5, 2011, and the Common Shares were listed on the TSXV and began trading on May 10, 2011.

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.

February 2013 to Present

Qualifying Transaction

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 (the "**Qualifying Transaction**"). On February 19, 2013, the Common Shares commenced trading on the TSXV under the symbol "SEV". Immediately prior to the completion of the Qualifying Transaction, the Corporation filed articles of amendment to effect the Share Consolidation and the Name Change. All references to Common Shares throughout this AIF are on a post-Share Consolidation basis.

As a result of the Qualifying Transaction, which constituted the Corporation's Qualifying Transaction under the policies of the TSXV, the former shareholders of Fresco acquired control of the Corporation.

Equity and Debt Financings

RedMere and Spectra7 Microsystems Ltd., as guarantors, entered into a loan agreement with a Schedule III bank dated February 5, 2013, as amended, whereby the lender provided two credit facilities (the "**Bank Facilities**"): (i) a US$100,000 line of credit to support the Corporation's working capital requirements which was repaid on its date of maturity on May 2, 2014, and (ii) a US$3,000,000 42-month term loan as longer term debt to refinance existing senior debt and to support working capital requirements, which was repaid in full on March 30, 2016 from a portion of the proceeds of the Midcap Loan Facility (as defined below).

On March 28, 2014 and April 28, 2014, the Corporation closed a best efforts agency public offering and related over-allotment option of 26,833,333 units (the "**2014 Units**") at a price of $0.30 per unit for gross proceeds of $8,050,000 (the "**2014 Offering**"). Each 2014 Unit was comprised of one Common Share and one Common Share purchase warrant ("**2014 Warrant**") with each 2014 Warrant entitling the holder to purchase one Common Share at a price of $0.45 until March 28, 2015. In connection with the 2014 Offering, the agents were issued an aggregate of 2,146,666 compensation options (the "**2014 Compensation Options**"), with each 2014 Compensation Option exercisable by the holder thereof into one 2014 Unit at a price of $0.30 until March 28, 2015.

On October 8, 2014, the Corporation entered into a binding agreement with an arm's length party whereby, upon the satisfaction of certain conditions precedent, the Lender agreed to provide a $4.75 million subordinate secured non-revolving loan facility (the "**2014 Loan Facility**"). This engagement agreement was replaced by a formal loan agreement signed by the parties on November 11, 2014 (the "**Loan Agreement**"), with the 2014 Loan Facility bearing interest at a rate of 12% per annum on the principal amount outstanding and repayable by August 31, 2016 or earlier upon the occurrence of certain events. On November 11, 2014, the Corporation issued the lender warrants ("**Lender Warrants**") to purchase up to 2,500,000 Common Shares, exercisable at a price of $0.60 per share at any time up to August 31, 2016. On November 17, 2014, the Corporation announced that due to the exercise of warrants resulting in proceeds to the Corporation of approximately $4.6 million, based on the terms of the Loan Agreement, the Corporation would not be drawing down on the 2014 Loan Facility and the 2014 Loan Facility would be cancelled. The Lender Warrants were cancelled effective December 20, 2014 in accordance with the terms of the certificates representing the Lender Warrants and the requirements of the TSX Venture Exchange.

On May 4, 2015, the Corporation closed a bought deal brokered private placement and a non-brokered private placement of 12,494,765 special warrants (the "**Special Warrants**") at $0.70 per Special Warrant for gross proceeds of $8,746,336. Each Special Warrant was deemed exercised on June 5, 2015, for no additional consideration, into one unit (a "**Unit**") with each Unit consisting of one Common Share and one-half of one Common Share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one Common Share (a "**Warrant Share**") at an exercise price of $0.90 at any time up to May 4, 2017. The expiry date of the Warrants may be accelerated by the Corporation at any time following nine months after closing and prior to the expiry date of the Warrants if the volume weighted average price of the Common Shares is greater than $1.30 for any 20 non-consecutive trading days after closing. The Corporation issued to the underwriters in connection with the brokered private placement 728,895 special compensation options ("**Special Compensation Options**") which were automatically converted into compensation options ("**2015 Compensation Options**") on June 5, 2015. Each 2015 Compensation Option is exercisable to acquire one Unit at an exercise price of $0.70, at any time up to May 4, 2017.

On March 30, 2016, the Corporation closed a US$6,500,000 senior secured term loan facility with Midcap Financial and Midcap Financial Trust (the "**Midcap Loan Facility**"). The **Midcap** Loan Facility has a term of 36 months with interest payable monthly in arrears at an annual rate of one month LIBOR plus 8.50%, subject to a LIBOR floor of 0.50%. Interest only is payable until April 1, 2017 when equal monthly principal repayments of US$270,833 commence thereafter until maturity. The Midcap Loan Facility is secured by a first charge over all of the existing and subsequently acquired assets of the Corporation and each of its subsidiaries other than its subsidiary located in China. The Midcap Loan Facility imposes covenants and obligations on the Corporation, including a covenant to meet certain revenue targets, the breach of which could result in a default and the acceleration of the obligations under the Midcap Loan Facility and the lender realizing on its security. On October 11, 2016, the Corporation entered into a conditional waiver and first amendment to the Midcap Loan Facility in order to waive certain events of default, to bring the revenue covenants in line with the Corporation's current business forecast and to address the risk of future defaults under the Midcap Loan Facility.

On October 26, 2016, the Corporation closed a bought deal public offering of 19,705,883 Common Shares at a price of $0.34 per share for gross proceeds of $6,700,000 (the "**2016 Offering**"). In connection with the 2016 Offering, the underwriters were issued an aggregate of 1,410,941 compensation options (the "**2016 Compensation Options**"), with each 2016 Compensation Option exercisable into one Common Share at a price of $0.34 per share until October 26, 2018.

Graduation to the Toronto Stock Exchange

In July 2015, the Corporation received final approval for the listing of the Common Shares on the facilities of the Toronto Stock Exchange (the "**Exchange**"). On July 23, 2015, the Common Shares began trading on the Exchange and were voluntarily delisted from the TSXV.

Changes in Senior Management

On September 26, 2016, the Corporation announced the appointment of Raouf Halim as Chief Executive Officer. Mr. Halim succeeded Cynthia Cole and David Mier, whom the Board of Directors appointed to manage the Corporation in the interim role following the sudden passing of the Corporation's former Chief Executive Officer, Tony Stelliga.

Significant Acquisitions or Dispositions

The Corporation has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2016 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**").

DESCRIPTION OF THE BUSINESS

Summary

The Corporation is a high performance analog semiconductor company targeting large, high growth markets in virtual reality ("**VR**"), augmented reality ("**AR**"), data centers, and consumer connectivity.

Recent Developments

On May 25, 2016, the Corporation's President, Chief Executive Officer and member of the Board of Directors, Mr. Tony Stelliga, passed away suddenly. On September 26, 2016, Mr. Raouf Halim was appointed as the new Chief Executive Officer of the Corporation. Mr. Halim is one of the co-founders of icClarity, Inc. ("**icClarity**"), a private company developing a 3D Video capture solution for applications in augmented reality, virtual reality, mobile, and automotive markets. Mr. Halim currently remains as Chairman of icClarity. Prior to icClarity, Mr. Halim was CEO of Mindspeed Technologies, Inc. which designed and developed semiconductor solutions for communications applications in wireless and wireline network infrastructure markets.

Existing Products

The Corporation's family of products features a patented signal processing technology used in the design of "active" cables and specialty interconnects which enable longer, thinner and lighter interconnects for VR, AR, in data centres, and for consumer connectivity products. The Corporation holds approximately 50 patents relating to its products.

Virtual Reality (VR)

The Corporation's next-generation VR products include the VR7050 which the Corporation believes to be the industry's first chip capable of enabling lightweight, ultra-thin active interconnects for gesture recognition and motion control backhaul. When used in conjunction with Spectra7's VR7100 high speed video chip, the chipset delivers ultra-high bandwidth data, video, audio and power in a unified, ultra-light, super-thin wearable interconnect while achieving the low latency for a truly immersive VR experience. The Corporation has also developed AR products that provide similar benefit to the VR Products on thinner, shorter 'wearable' interconnects.

Augmented Reality (AR)

AR-Connect™ is an AR interconnect product line that is powered by the Corporation's patented wearable network signal processing technology. The Corporation believes its patented AR-Connect™ is the industry's first integrated cable, connector and embedded chipset product line for AR vision systems and wearable computing devices. AR-Connect™ enables AR glasses to connect to a smart phone, proprietary processing device or a desktop GPU/laptop processing unit, with a single unified and ultra-thin link.

DreamWeVR™

DreamWeVR™ is an extensive product line targeted at next generation 4K Ultra-HD and 5K resolution VR and AR reality platforms for gaming, health care, architecture and business telepresence applications. The product line includes four new chips (VR8181, VR8050, VR8200 and VR8300) featuring SpectraLinear™ technology, new VR-specific connectors and three new head-mounted display ("HMD") interconnect configurations to support high-bandwidth (up to 50Gbps), near-zero latency VR HMDs and AR glasses with reduced weight and complexity.

Data Centers

GaugeChanger Plus™, featuring high speed active interconnects based on the Corporation's technology, represents the Corporation's entry into the data center market. The product line is comprised of the GC2502 - an embedded analog signal processing chip, and GaugeChanger Plus™ – a proprietary ultra-thin copper transmission link. These products allow the construction of a copper cable that combines the high data rate of fiber with the low cost and low power consumption of copper, providing data centers with the best of both worlds. This technology supports the emerging 802.xxx QXFP standard on NRZ or Multilevel signaling for the majority of interconnect reaches in today's high-density data centers.
When used together, the GC2502 chip and the GaugeChanger Plus™ combine to enable what the Corporation believes to be one of the world's fastest, thinnest and lightest copper data center interconnects. As consumers and businesses continue to move their data to the cloud, the need for larger and more efficient data centers is growing rapidly.

At present, fiber is the only alternative for data centers seeking high speed, extremely flexible and thin interconnects as copper is typically too bulky and inflexible at these speeds. GaugeChanger Plus™, however, extends the life of copper with interconnects that are as fast and as thin as fiber, but at a dramatically lower cost and lower power consumption.

USB 3.1 consumer interconnects

The Corporation's active chipset family TC7108, TC7216 and the TC7050 is the industry's first for ultra-thin implementations of USB 3.1 consumer interconnects, reducing the conductor cross section by up to 90% compared to passive cable implementations. Applications for this interconnect implemented with the new Type-C connector include ultra-thin laptops, tablets, mobile devices, solid state disks and wearable computing devices. The resulting ultra-thin cable enabled by this new Spectra7 technology allows the cable to transfer data at supercomputer speeds (up to 10 times faster) with a plug shell or over-mold and cable strain relief dimension that is thinner than the mobile device itself, a critical dimension when implementing Type-C in tablets and smart phones, and up to 90% lighter than passive cable conductors that would need to be much larger in diameter.

Licensing

The Corporation has a portfolio of technology and occasionally licenses technology to strategic customers.

Principal Markets

The Corporation uses its high performance analog semiconductor technology to provide products to OEMs, both directly and through distributors.. The types of products to which the Corporation's proprietary technologies apply include VR, AR, consumer cables (HDMI, USB, DisplayPort and Data Center cables. The Corporation continues to look for additional markets for its products.

Sales and Marketing Strategy

The Corporation uses distributors for its legacy interconnect products, who in turn market and sell to consumer interconnect and cable product manufacturers. New products are primarily marketed directly to OEMs with known consumer brands. Cable manufacturers are then engaged directly to produce product for the OEM. This approach ensures direct contact with the end decision makers in the OEM/brand and manufactures. If required, a distributor is used to fulfil the distribution and shipment.

Competitive Conditions

The Corporation operates in a dynamic competitive environment with rapidly changing technologies and industry standards. The Corporation is designing, developing, and shipping products that deliver new levels of performance, speed, and signal integrity by leveraging the Corporation’s patented high-speed signal processing technologies into new markets.

The Corporation faces intense competition and expects competition to increase in the future, which could have an adverse effect on the Corporation’s revenue, revenue growth rate, if any, and market share. The global semiconductor market and the consumer electronics market are highly competitive. The Corporation competes in different target markets to various degrees on the basis of a number of principal competitive factors, including the Corporation’s product performance, features and functionality, energy efficiency, size, ease of system design, customer support, product roadmap, breadth of complementary product offerings, reputation, reliability and price, as well as on the basis of the Corporation’s customer support. The Corporation expects competition to increase and intensify as more and larger semiconductor companies as well as the internal resources of large, integrated original equipment manufacturers, or OEMs, enter the Corporation’s markets. Increased competition could result in price pressure, reduced profitability and loss of market share, any of which could materially and adversely affect the Corporation’s business, revenue, revenue growth rates and operating results.

Intellectual Property

The Corporation’s success depends in part upon its ability to protect it intellectual property. To accomplish this, the Corporation relies on a combination of intellectual property rights, including patents, copyrights, trademarks and trade secrets in Canada, Ireland and the United States and in selected foreign countries where it believes filing for such protection is appropriate. To protect the Corporation's proprietary and confidential information, the Corporation uses various contractual approaches with employees, third-party partners, suppliers, consultants and contractors. The Corporation has several issued patents and patent applications pending in multiple geographical jurisdictions.

The Corporation has 52 issued patents and 5 patent applications pending in the U.S. Patent Office. The patents and patent applications cover:

- Design methodologies for high-speed data cable,
- Reducing interference in and improving the linearity of radio receivers,
- Method and apparatus for extracting a desired television signal from a wideband IF input,
- A Universal Television Receiver,
- Automatic gain control system,
- Carrier recovery system with phase noise suppression,
- Method and apparatus for processing a television signal with a coarsely positioned IF frequency,
- Interference avoidance in a television receiver,
- Analog Television Demodulator With Over-Modulation Protection,
- High Current Drive Bandgap Based Voltage Regulator,
- Built-In Self Test (BIST) Method and Apparatus,
- Pre- and post-filter automatic gain control with bounded pre-filter gain control,
- Narrowband AGC Method and Apparatus,
- Signal tuning with variable intermediate frequency for image rejection and methods,
- Digital signal processor with adjustable data rate and methods thereof,
- Accurate radio frequency filtering using active intermediate frequency feedback,
- Harmonic Cancellation for Frequency Conversion, and
- Cable test - patented techniques for production testing of data Eye quality in cables.

The Corporation has ITU applications or owns multiple trademark registrations including "Spectra7", "JTX", "DisplayDirect", "SpectraTune", "Crystal Clear, Picture Perfect", "Redmere", "GaugeChanger", "GaugeChanger Plus", "DreamWeVR", "HomeTheater" and others. In addition, the Corporation has filed applications for several additional trademarks in the United States to protect the Corporation's corporate and product brands. The Corporation also has several common-law (unregistered) trademarks which provide a branding identity for key products and technologies.

Cycles

The semiconductor industry is by nature very cyclical, subject to rapid changes in technology, product viability, industry standards and price fluctuations. As a result, the Corporation is subject to high variability to the length of the sales cycle required to establish design wins and bring design wins to production. The Corporation has also entered new markets such as VR, AR and Data Centers that in some cases do yet have a defined business cycle. The annual consumer electronic market cycle experiences stronger demand in the third quarter peaking in the fourth quarter in order to meet the demands for the Christmas market. First quarters are usually the lowest reflecting the post-Christmas season and the Chinese New-Year held in late January or February.

Economic Dependence

The Corporation has multiple markets for its core technology and as such continues to expand its adoption in diversified market segments. While current market segments include retail, VR and AR, the Corporation is pursuing additional adoption of its technology in data centers and flat panel TV markets.

The Corporation's revenues come from dozens of brands in the retail sector (in some cases through a distributor) and also from several major OEM customers in the VR and AR markets. In addition, the Corporation expects that its entrance into the Data Center market will bring additional customers. As such, the Corporation continues to diversify both in customer depth and market segment breadth. If the Corporation was to lose a major customer, it would cause a reduction in orders resulting in lower revenues which would adversely affect operating results.

Manufacturing and Distribution

The Corporation is a fabless semiconductor and interconnect design company, which means that it does not need to have its own manufacturing facilities. Semiconductor wafer fabrication is done by major tier one foundries located in Taiwan and China. Processed wafers are then sent to suppliers which assemble and test the integrated circuit and package electronic components. The Corporation designs and builds testers that are sold and licensed to cable manufacturers directly. These testers are used to test interconnect final products and report back on-line to the Corporation to allow for quality control and license compliance.

The Corporation's new products are shipped directly from the Corporation's suppliers to its customers. The majority of the Corporation's legacy products are shipped to a distributor which then sells on to a broader customer base.

Special Skill and Knowledge

The Corporation is committed to dedicating resources and personnel with the requisite expertise in engineering, design, marketing and sales to deliver new products and hit the required market windows. The Corporation's future success depends on its ability to retain, attract and motivate qualified personnel, including its management, sales, marketing and finance personnel, and particularly its design and technical personnel. As the source of the Corporation's technological and product innovations, its design and technical personnel represent a significant asset.

Environmental Protection

The Corporation operates to address the governing environmental standards for the Corporation's products. The Corporation's products are compliant with the Restriction of Hazardous Substances Directive, a directive adopted by the European Union that restricts the use of six hazardous materials, including lead, mercury and cadmium, in the manufacture of various types of electronic and electrical equipment.

Employees

As of the date of this AIF, the Corporation has approximately 49 full-time employees in Markham, Ontario, Palo Alto, California, Little Rock, Arkansas, and in Cork, Ireland. In addition, the Corporation engages contractors and consultants to work on specific projects and for administrative, legal and other services as required.

Foreign Operations

The Corporation has design centers in Palo Alto, California, Little Rock, Arkansas and Cork, Ireland, a sales office in Dongguan, China, and a sales representative in Taipei, Taiwan.

RISK FACTORS

There are a number of risk factors that could impact the Corporation's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Corporation faces. Additional risks and uncertainties, including those that the Corporation does not know about now or that it currently deems immaterial, may also adversely affect the Corporation's business.

A discussion of the principal risk factors relating to the Corporation's operations and businesses appears at pages 18 - 31 of the Corporation's Management's Discussion and Analysis for the year ended December 31, 2016 under the heading "Risks and Uncertainties", which pages under such heading are incorporated by reference into this AIF and may be viewed under the Corporation's profile on SEDAR at www.sedar.com.

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 it reserves the right to pay dividends if and when it is determined to be advisable by the Corporation's board of directors. 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 CAPITAL STRUCTURE

Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares of which 147,440,171 Common Shares are issued and outstanding as of the date of this AIF. The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation, to receive notice of and one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

MARKET FOR SECURITIES

Common Shares

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:

Calendar Period	High	Low	Trading Volume
2016			
January	$0.55	$0.37	7,814,278
February	$0.49	$0.42	3,305,012
March	$0.73	$0.43	9,510,231
April	$0.75	$0.52	8,723,937
May	$0.75	$0.55	4,511,143
June	$0.59	$0.485	3,260,896
July	$0.55	$0.50	1,659,394
August	$0.57	$0.435	3,552,159
September	$0.56	$0.31	8,852,775
October	$0.41	$0.285	6,290,286
November	$0.34	$0.285	4,825,873
December	$0.39	$0.275	5,346,447

Prior Sales

During the year ended December 31, 2016, the following securities of the Corporation, which are not listed or quoted on a marketplace, were issued:

Date of Issuance	Type of Security	Number of Securities	Exercise Price	Expiry Date
March 24, 2016	Restricted Share Units	82,500	n/a	n/a
March 24, 2016	Options	100,000	$0.68	March 24, 2021
March 24, 2016	Options	82,500	$0.68	March 24, 2023
March 30, 2016	Warrants(1)	855,010	$0.60	March 30, 2021(2)
May 12, 2016	Restricted Share Units	981,600	n/a	n/a
May 12, 2016	Options	981,600	$0.68	May 12, 2023
August 11, 2016	Restricted Share Units	20,000	n/a	n/a
August 11, 2016	Options	10,000	$0.52	August 11, 2023
August 15, 2016	Restricted Share Units	20,000	n/a	n/a

Date of Issuance	Type of Security	Number of Securities	Exercise Price	Expiry Date
August 15, 2016	Options	20,000	$0.52	August 15, 2023
September 26, 2016	Restricted Share Units	5,000,000	n/a	n/a
October 26, 2016	2016 Compensation Options(3)	1,410,941	$0.34	October 26, 2018
October 26, 2016	Options	3,453,485	$0.34	October 26, 2026
November 10, 2016	Restricted Share Units	10,000	n/a	n/a
November 10, 2016	Options	10,000	$0.315	November 11, 2023

Notes:
(1) Issued to lender in connection with the Midcap Loan Facility.
(2) Subject to earlier expiration in certain circumstances.
(3) Issued in connection with the 2016 Offering

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As of the date of this AIF, no securities of the Corporation are held in escrow or are subject to restriction on transfer.

DIRECTORS AND EXECUTIVE OFFICERS

The table presented below provides the names of the Corporation's current directors and executive officers, the offices held by them and the date of their first appointment, as of the date hereof:

Name, Place of Residence and Position with the Corporation	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Raouf Halim California, U.S.A. Director, President & Chief Executive Officer	President & Chief Executive Officer, Spectra7 (September 2016 – Present) Chief Executive Officer, icClarity, Inc. (May 2014-September 2016) Chief Executive Officer, Mindspeed Technologies Inc. (June 2003-2014)	September 26, 2016	488,234
David Mier California, U.S.A. Chief Financial Officer	Chief Financial Officer, Spectra7 (December 2015 – Present) Self-employed (April 2013 – November 2015) Americas Controller, Yahoo! (August 2010 – January 2013)	n/a	nil
Andrew Kim	Chief Technical Officer, Spectra7	n/a	87,788

Name, Place of Residence and Position with the Corporation	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Georgia, U.S.A. Chief Technical Officer and Vice President, Engineering	(February 2013 – Present) Chief Technical Officer, RedMere (September 2012 – February 2013) Senior Principal Systems Engineer, Intersil Corp. (January 2010 – September 2012)		
Charito Alcantara California, U.S.A. Vice President Operations and Channel Management	VP, Operations and Channel Management, Spectra7 (January 2015 – Present) Sr. Director, Retail and Channel Operations, Spectra7 (July 2014 – January 2015) Sr. Director of Operations Retail, Spectra7 (March 2014 – July 2014) Director, Revenue Execution, Spectra7 (November 2013 – March 2014) Sr. Manager, Revenue Execution, Spectra7 (August 2013 – November 2013) Global Commodity Manager, Monster Products (March 2008 – May 2013)	n/a	38,650
John Mitchell California, U.S.A. Chief Marketing Officer	Chief Marketing Officer, Spectra7 (May 2015 – Present) Senior Director of Marketing, Spectra7 (February 2013 – May 2015) Director of Marketing, RedMere (September 2012 – February 2013) Marketing Manager, Intersil Corporation (August 2009 – September 2012)	n/a	49,744
Brian Antonen Ontario, Canada Director(1)	Partner, CHVP Funds(4) (June 2000 – Present)	February 5, 2013	181,473(5)
Robert Dobkin California, U.S.A.	Chief Technical Officer and Vice President of Engineering, Linear	February 5, 2013	553,682(6)

Name, Place of Residence and Position with the Corporation	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Director(2)	Technology Corporation (April 1999 – Present)		
Roger Maggs Gloucestershire, UK Director(1)(3)	Self-employed (September 2013 – Present) Partner, CHVP Funds (August 1996 – September 2013)	February 5, 2013	88,542(7)
John P. Vettese Ontario, Canada Director(2)(3)	Executive Chairman, Cassels Brock & Blackwell LLP	November 17, 2014	1,118,039(8)
Ronald Pasek California, U.S.A. Director (1)(2)(3)	Executive Vice President, Chief Financial Officer of NetApp Inc. (March 2016 - Present) Senior Vice President of Finance and Chief Financial Officer of Altera Corp. (December 2009 – March 2016)	June 18, 2015	752,999

Notes:

(1) Member of Audit Committee.
(2) Member of Compensation Committee.
(3) Member of Corporate Governance and Nominating Committee.
(4) CHVP Funds includes Celtic House Venture Partners Fund III L.P., Celtic House Venture Partners Fund III (U.S.) L.P. and Celtic House Venture Partners Fund III (Barbados) SRL (collectively, "**CHVP Funds**").
(5) Represents 8,003 Common Shares held by the spouse of Brian Antonen, 28,470 Common Shares held directly by Mr. Antonen and 145,000 Common Shares held by a company majority owned by Mr. Antonen. Mr. Antonen is a partner of the general partner of CHVP Funds which hold an aggregate of 19,577,365 Common Shares. Mr. Antonen does not exercise control or direction over such Common Shares.
(6) Includes 172,515 Common Shares held by a trust of which Mr. Dobkin is a trustee.
(7) Roger Maggs is a founder and partner of CHVP Funds. Mr. Maggs does not exercise control or direction over the Common Shares held by CHVP Funds.
(8) Common Shares held by a company owned by John Vettese.

Shareholdings

As of the date hereof, the Corporation's directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 3,359,151 Common Shares, representing approximately 2.28% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Corporation is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Other than as set forth below, no director or executive officer of the Corporation or any shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation:

(a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Corporation.

Roger Maggs served as a director of Global Silicon Limited, a private venture capital-backed United Kingdom based company. Global Silicon Limited was a portfolio company in a CHVP fund. CHVP withdrew further financing in 2006 and the company's securities ceased trading in December 2006. In November 2007, Global Silicon Limited voluntarily appointed joint liquidators to liquidate the Corporation and the company was officially dissolved on April 15, 2013.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the respective directors and executive officers.

CONFLICTS OF INTEREST

To the best of the Corporation's knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Corporation and any directors or officers of the Corporation, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (Ontario) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Corporation, there are no legal proceedings material to the Corporation to which the Corporation or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2016, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of the Corporation, no penalties or sanctions have been imposed against the Corporation or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2016, no penalties or sanctions have been imposed against the Corporation by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Corporation, and no settlement agreements have been entered into by the Corporation before a court relating to securities legislation or with a securities regulatory authority during the Corporation's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Corporation, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Corporation has participated since January 1, 2013, which has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

The following are the contracts that are material to the Corporation that were entered into either (i) during the year ended December 31, 2016; or (ii) prior to January 1, 2015 that are still in effect, other than contracts entered into in the ordinary course of business:

(a) the Transfer Agency and Registrarship Agreement dated April 20, 2011 between the Corporation and Computershare Trust Company of Canada;

(b) the Credit, Security and Guaranty Agreement dated March 30, 2016 among MidCap Financial Trust, the Corporation, Spectra7 Microsystems Ltd., Spectra7 Microsystems Corp. and Spectra7 Microsystems (Ireland) Limited, as amended on October 11, 2016;

(c) the Underwriting Agreement dated October 11, 2016 between the Corporation, Canaccord Genuity Corp. and Mackie Research Capital Corporation;

(d) the Underwriting Agreement dated May 4, 2015 between the Corporation, Global Maxfin Capital Inc. and PI Financial Corp.; and

(e) the Common Share Purchase Warrant Indenture dated May 4, 2015 between the Corporation and Computershare Trust Company of Canada.

Particulars of certain of the above-listed contracts are disclosed under the heading “General Development of the Business” above.

INTERESTS OF EXPERTS

The Corporation’s financial statements for the year ended December 31, 2016 have been audited by MNP LLP, Chartered Professional Accountants. The Corporation has been advised that MNP LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE

Audit Committee’s Charter

The charter (the “**Charter**”) of the Corporation’s Audit Committee is reproduced as Exhibit “A”.

Composition of Audit Committee

As at the date of this Circular, the Audit Committee is composed of Ronald Pasek (Chair), Brian Antonen and Roger Maggs, each of whom is a director of the Corporation.

All of the members of the Audit Committee are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). The Corporation is of the opinion that all three members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Ronald Pasek holds a Bachelor of Science degree in Finance from San Jose State University and a Master of Business Administration from Santa Clara University. Mr. Pasek is the Executive Vice President, Chief Financial Officer of NetApp, Inc. (NASDAQ) and has held this position since March 2016. Mr. Pasek was previously the senior Vice President of Finance and Chief Financial Officer of Altera Corporation (“**Altera**”) (NASDAQ) from December 2009 to 2016. Prior to his employment with Altera, Mr. Pasek held a variety of positions in finance in Sun Microsystems over a period of 19 years including Vice

President of Worldwide Field Finance, World Manufacturing and U.S. Field Finance and most recently as Vice President and Corporate Treasurer.

Brian Antonen holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo and a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario. He is a member of the Association of Professional Engineers of Ontario and of the Certified Management Accountants of Ontario. He has held directorships on more than 17 public and private boards and currently serves on the audit and compensation committees of ViXS Systems Inc. (TSX:VXS).

Roger Maggs earned a Bachelor of Science degree in Physics from the University of Wales, and a Master's degree from Warwick Business School. He has extensive venture capital experience, including founding Celtic House in 1994. Over his career, he has held directorships on more than 30 public and private boards and served as an audit committee member on two public companies.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation's external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to *"De Minimis Non-audit Services"* or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

Audit Fees – The Corporation's external auditors billed $79,180 and $69,015 for the audit of the financial years ended December 31, 2016 and 2015, respectively.

Audit-Related Fees – The Corporation's external auditors billed $40,125 and $32,100 for the review of financial statements during the financial years ended December 31, 2016 and 2015, respectively.

Tax Fees – The Corporation's external auditors billed the Corporation $21,266 and $25,145 during the financial years ended December 31, 2016 and 2015, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – The Corporation's external auditors billed the Corporation $27,285 during the financial year ended December 31, 2016 for services including review of a short form prospectus and $43,710 during the financial year ended December 31, 2015 for services including review of a short form prospectus and advice relating to the establishment of Si Bai Ke Te (Dongguan) Electronics Trading Co. Ltd.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information relating to the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management information circular for the most recent annual meeting of shareholders.

Additional financial information is provided in the Corporation's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2016.

EXHIBIT "A"
AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Toronto Stock Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

(a) improve the quality of the Corporation's financial reporting;

(b) assist the board of directors to properly and fully discharge its responsibilities;

(c) provide an avenue of enhanced communication between the directors and external auditors;

(d) enhance the external auditor's independence;

(e) increase the credibility and objectivity of financial reports; and

(f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 **Definitions**

"**accounting principles**" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"**Affiliate**" means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

"**audit services**" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“**Charter**” means this audit committee charter;

“**Committee**” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“**Control Person**” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“**financially literate**” has the meaning set forth in Section 1.2;

“**immediate family member**” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual’s immediate family member) who shares the individual’s home;

“independent” means independent only as determined by both the Instrument and the TSX Company Manual;

“**Instrument**” means National Instrument 52-110 – *Audit Committees*;

“**MD&A**” has the meaning ascribed to it in National Instrument 51-102;

“**Member**” means a member of the Committee;

“**National Instrument 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*; and

“**non-audit services**” means services other than audit services.

1.2 **Meaning of Financially Literate**

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

2.1 **Audit Committee**

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 **Relationship with External Auditors**

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 **Committee Responsibilities**

1. The Committee shall be responsible for making the following recommendations to the board of directors:

    (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation; and

(b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

   (a) reviewing the audit plan with management and the external auditor;

   (b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

   (c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

   (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

   (e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

   (f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

   (g) reviewing interim unaudited financial statements before release to the public;

   (h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;

   (i) reviewing the evaluation of internal controls by the external auditor, together with management's response;

   (j) reviewing the terms of reference of the internal auditor, if any;

   (k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and

   (l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

    (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

    (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 **De Minimis Non-Audit Services**

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;

(b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its Members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 **Delegation of Pre-Approval Function**

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 **Composition**

1. The Committee shall be composed of a minimum of three Members.

2. Every Member shall be a director of the issuer.

3. Every Member shall be independent.

4. Every Member shall be financially literate.

5. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

6. At least 25% of the Members shall be resident Canadians.

PART 4

4.1 **Authority**

Until the replacement of this Charter, the Committee shall have the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee;

(c) communicate directly with the internal and external auditors; and

(d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

PART 5

5.1 **Required Disclosure**

The Corporation must include in its Annual Information Form the disclosure required by Form 52-110F1.

5.2 **Disclosure in Information Circular**

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular a cross-reference to the sections in the Corporation's Annual Information Form that contain the information required by section 5.1.

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.

3. Minutes shall be kept of all meetings of the Committee.