

Tricon Capital Group Inc.

Consolidated Financial Statements

(Unaudited)

March 31, 2010 and 2009

Tricon Capital Group Inc.

Interim Consolidated Balance Sheets (Unaudited)

	As at March 31, 2010 \$	As at December 31, 2009 \$
Assets		
Current assets		
Cash	489,530	1,329,980
Accounts receivable (note 9)	1,001,652	567,708
Prepaid expenses and other assets (note 9)	507,389	394,681
	<hr/>	<hr/>
	1,998,571	2,292,369
Investments in associates	28,296	28,636
Placement fee intangibles (note 3)	4,079,119	4,346,907
Office equipment and leasehold improvements (note 4)	183,744	191,458
Deferred income tax assets (note 8)	312,800	-
	<hr/>	<hr/>
	6,602,530	6,859,370
Liabilities		
Current liabilities		
Accounts payable and accruals (notes 5 and 9)	3,737,361	2,126,379
Dividends payable (note 9)	-	875,000
Income taxes payable	-	335,215
	<hr/>	<hr/>
	3,737,361	3,336,594
Deferred income tax liabilities (note 8)	1,282,121	1,299,294
	<hr/>	<hr/>
	5,019,482	4,635,888
Equity		
Share capital (note 7)	1,000	1,000
Equity issuance costs (note 19(i))	(837,254)	-
Retained earnings	2,419,302	2,222,482
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	1,583,048	2,223,482
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	6,602,530	6,859,370

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

Approved by the Board of Directors

Tricon Capital Group Inc.

Interim Consolidated Statements of Income and Comprehensive Income (Unaudited)

	March 31, 2010	March 31, 2009
	\$	\$
Contractual management fees (note 9)	2,551,527	2,826,176
Performance fees (note 9)	670,498	3,664
Other revenue	6,177	600
	<hr/>	<hr/>
	3,228,202	2,830,440
	<hr/>	<hr/>
Salaries and benefits expense (note 10)	1,363,870	912,880
Professional and director's fees expense	136,434	170,836
Discretionary management bonus expense (note 9)	1,309,150	1,127,379
General and administration expense (note 15)	127,921	149,441
Amortization expense	283,766	288,636
Realized and unrealized foreign exchange loss (gain)	29,653	(39,800)
Other income (note 18)	(214,270)	-
	<hr/>	<hr/>
	3,036,524	2,609,372
	<hr/>	<hr/>
Income before income taxes	191,678	221,068
Income tax (recovery) expense (note 8)	(5,142)	39,490
	<hr/>	<hr/>
Net and comprehensive income for the period	196,820	181,578
Retained earnings - Beginning of period	2,222,482	4,200,877
	<hr/>	<hr/>
Retained earnings - End of period	2,419,302	4,382,455
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Basic and diluted earnings per share (note 13)	0.03	0.02
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The accompanying notes are an integral part of these interim consolidated financial statements.

Tricon Capital Group Inc.

Interim Consolidated Statements of Changes in Equity (Unaudited)

	Share capital \$	Equity issuance costs \$	Retained earnings \$	Total \$
Balance at January 1, 2009	1,000	-	4,200,877	4,201,877
Net and comprehensive loss for the year	-	-	(1,103,395)	(1,103,395)
Dividends	-	-	(875,000)	(875,000)
Issuance of common shares (note 7)	-	-	-	-
Balance at December 31, 2009	1,000	-	2,222,482	2,223,482
Net and comprehensive income for the quarter	-	-	196,820	196,820
Equity issuance costs - net of income taxes of \$312,800 (note 19(i))	-	(837,254)	-	(837,254)
Balance at March 31, 2010	1,000	(837,254)	2,419,302	1,583,048

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

Tricon Capital Group Inc.

Consolidated Statements of Cash Flows (Unaudited)

	March 31, 2010 \$	March 31, 2009 \$
Cash provided by (used in)		
Operating activities		
Net and comprehensive income for the period	196,820	181,578
Adjustments for		
Amortization	283,766	288,636
Deferred income taxes	(17,173)	(221,932)
Gain on disposal of investment in real estate (note 18)	(75,389)	-
Gain on disposal of MOD Developments Inc. (note 18)	(138,881)	-
Other	-	(557)
	<hr/>	<hr/>
	249,143	247,725
Changes in non-cash working capital items		
Accounts receivable	(454,944)	(614,341)
Prepaid expenses and other assets	(125,923)	(56)
Accounts payable and accruals	619,808	(873,671)
Income taxes payable	(335,215)	241,045
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	(47,131)	(999,298)
Investing activities		
Purchase of office equipment	(8,264)	(4,456)
Placement fees	-	(424,676)
Proceeds on disposal of investments	88,705	-
Other	1,240	(1,442)
	<hr/>	<hr/>
	81,681	(430,574)
Financing activities		
Dividends paid	(875,000)	-
	<hr/>	<hr/>
Change in cash during the period	(840,450)	(1,429,872)
Cash - Beginning of period	<hr/>	<hr/>
	1,329,980	2,297,334
Cash - End of period	<hr/>	<hr/>
	489,530	867,462
Supplementary information		
Income taxes paid during the period	355,150	27,561
Equity issuance costs in accounts payable and accruals	1,150,054	-

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

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2010

1 Nature of business

Tricon Capital Group Inc. (Tricon) and its subsidiaries, Tricon USA Inc. and, prior to its disposal on January 1, 2010, MOD Developments Inc. (formerly Tricon Development Group Inc.) (collectively, the Company) provide asset management services to funds managed by the Company of which the investors are high net worth individuals and institutional investors. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and is situated at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and in the United States of America.

2 Summary of significant accounting policies

The following is a summary of the significant accounting policies applied in the preparation of these consolidated financial statements.

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared using the historical cost convention and were authorized for issue on May 18, 2010 by the Board of Directors of Tricon.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles and IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next fiscal year include accounts payable and accruals, impairment of assets, income taxes, the estimated useful lives of long-lived assets and the determination of consolidation requirements for the funds managed by the Company.

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated at the date on which control ceases.

These consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Tricon USA Inc. Intercompany transactions and balances are eliminated on consolidation. MOD Developments Inc. was sold on January 1, 2010 (note 18).

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

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Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met, as described below.

Revenues primarily comprise contractual management fees and performance fees earned in respect of investment management services provided to investment funds managed by the Company. Contractual management fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period. Performance fees are earned based on fixed percentages of the returns of each fund in excess of predetermined thresholds. Performance fees are recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company, which is generally subsequent to the return of all the original capital provided by investors plus a preferred rate of return as specified in the management agreement. Contractual management fees and performance fees, the Company's primary sources of revenue, are earned through the Company's fiduciary activities as an investment manager.

Investments in associates

Investments in associates consist of general partnership interests in investment funds managed by the Company. The Company's ownership interest and share of income in the investment funds is trivial; however, significant influence is exercised through the Company's general partnership interest in certain of the investment funds. Accordingly, the equity method of accounting is applied to these investments.

Placement fee intangibles

Placement fee intangibles represent costs incurred to secure investment management contracts and are accounted for as intangible assets carried at cost less accumulated amortization. Amortization is recorded using the straight-line method and is based on the estimated useful lives of the associated management contracts, which is generally eight years.

Placement fee intangibles are reviewed for impairment at each measurement date or whenever indicators of impairment exist. The impairment assessment is performed at the level of the cash generating unit, which is at the fund level, as this is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets. If determined to be impaired, placement fee intangibles are written down to the higher of their value-in-use and fair value less costs to sell.

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Foreign currency translation

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary. The consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of its foreign operations.

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the measurement date. Gains and losses arising from foreign exchange are included in the statements of operations.

Office equipment and leasehold improvements

Furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term (including reasonably assured renewal options). All other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at least each financial year-end. Office equipment and leasehold improvements are tested for impairment whenever indicators of impairment exist. An impairment writedown is recorded when the carrying amount of a capital asset is determined to exceed its recoverable amount. The recoverable amount is the greater of an asset's fair value less cost to sell and its value-in-use.

Financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accruals and dividends payable. Cash and accounts receivable are classified as loans and receivables. Loans and receivables and accounts payable and accruals are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income and expense are accounted for using the effective interest rate method.

Loans and receivables are assessed to determine whether objective evidence of impairment exists at each reporting date. Impairment losses are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses are reversed in subsequent periods if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Dividends

Dividends are accrued when declared by Tricon's Board of Directors.

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

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Current and deferred income taxes

Income tax expense includes current and deferred income taxes. Income taxes are calculated based on the enacted or substantively enacted rates in effect at the consolidated balance sheet date. Management evaluates uncertain tax positions subject to interpretation and establishes provisions as appropriate, based on expectations about future settlements, using the best estimate approach.

The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Related parties

Transactions and balances with related parties are identified by management and separately disclosed in the consolidated financial statements (note 9).

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recorded in net income on a straight-line basis over the term of the lease. Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Earnings (loss) per share

The treasury stock method is used in the calculation of per share amounts. Basic earnings (loss) per share are determined by the weighted average number of shares outstanding during the period, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the financial statements being authorized for issue. The Company has no dilutive instruments; as such, there is no dilutive effect on earnings (loss) per share.

Tricon Capital Group Inc.
Notes to Consolidated Financial Statements
(Unaudited)
March 31, 2010

3 Placement fee intangibles

	March 31, 2010	December 31, 2009
	\$	\$
Cost - Opening and Ending	8,515,740	8,515,740
Accumulated amortization - Opening	(4,168,833)	(3,097,679)
Amortization expense	(267,788)	(1,071,154)
Accumulated amortization - Ending	(4,436,621)	(4,168,833)
	<u>4,079,119</u>	<u>4,346,907</u>

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2010

4 Office equipment and leasehold improvements

	Furniture \$	Office equipment \$	Computer equipment \$	Leasehold improvements \$	Total \$
As at January 1, 2009					
Cost	132,162	49,653	395,042	409,526	986,383
Accumulated amortization	(127,180)	(28,818)	(361,812)	(230,270)	(748,080)
Net book value	4,982	20,835	33,230	179,256	238,303
Year ended December 31, 2009					
Opening net book value	4,982	20,835	33,230	179,256	238,303
Additions	-	-	4,456	17,135	21,591
Amortization expense	(4,300)	(7,045)	(25,804)	(31,287)	(68,436)
Net book value	682	13,790	11,882	165,104	191,458
As at December 31, 2009					
Cost	132,162	49,653	399,498	426,661	1,007,974
Accumulated amortization	(131,480)	(35,863)	(387,616)	(261,557)	(816,516)
Net book value	682	13,790	11,882	165,104	191,458
Period ended March 31, 2010					
Opening net book value	682	13,790	11,882	165,104	191,458
Additions	1,890	-	6,374	-	8,264
Amortization expense	(270)	(1,761)	(7,300)	(6,647)	(15,978)
Net book value	2,302	12,029	10,956	158,457	183,744
As at March 31, 2010					
Cost	134,052	49,653	405,872	426,661	1,016,238
Accumulated amortization	(131,750)	(37,624)	(394,916)	(268,204)	(832,494)
Net book value	2,302	12,029	10,956	158,457	183,744

There were no impairment charges in 2010 and 2009.

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2010

5 Accounts payable and accruals

	March 31, 2010	December 31, 2009
	\$	\$
Accounts payable and accruals	1,999,969	685,160
Indirect taxes payable	-	10,344
Discretionary management bonuses payable to related parties	1,737,392	1,430,875
	<u>3,737,361</u>	<u>2,126,379</u>

6 Lease commitments

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (note 9). The minimum rental amount is \$43,260 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred. In addition, the Company leases office equipment and furniture. The future minimum payments in respect of the leases are:

	\$
2010	38,273
2011	26,782
2012	24,700
2013	24,700
2014	21,205
Thereafter	8,041

7 Share capital

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares. As at March 31, 2010 and December 31, 2009, the Company had 1,000,000 common shares outstanding. On January 1, 2009, the Company issued 25.6415 common shares for \$0.26, resulting in total common shares outstanding of 1,025.6415. On March 10, 2009, the Company filed articles of amendment to convert the 1,025.6415 issued and outstanding common shares of the Company into 1,000,000 issued and outstanding common shares on a 974.99955 for 1 basis. No Class A, B or C shares are outstanding for any of the periods presented.

Tricon Capital Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2010

8 Income taxes

	March 31, 2010	March 31, 2009
	\$	\$
Current income taxes		
Current income taxes on income for the period	12,031	261,422
Deferred income taxes		
Origination and reversal of temporary differences	(18,733)	(222,181)
Impact of change in effective income tax rates	1,560	249
	<u>(17,173)</u>	<u>(221,932)</u>
Income tax (recovery) expense	<u>(5,142)</u>	<u>39,490</u>

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

	March 31, 2010	March 31, 2009
	\$	\$
Income before income taxes	191,678	221,068
Combined statutory federal and provincial income tax rate	30.99%	33.00%
Expected income tax expense	59,401	72,952
Tax rate differential (small business deduction and foreign tax rates)	(343)	(6,083)
Tax effects of		
Permanent differences	(22,783)	(27,648)
Change in effective income tax rates	1,560	249
Valuation allowance (reversal) in respect of deferred income tax asset of MOD Developments Inc.	(45,831)	-
Other	2,854	20
Income tax (recovery) expense	<u>(5,142)</u>	<u>39,490</u>

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March 31, 2010

The following is an analysis of the Company's deferred income tax assets and deferred income tax liabilities:

	March 31, 2010	December 31, 2009
	\$	\$
Deferred income tax assets		
Deferred income tax assets relating to equity issuance costs to be recovered after more than 12 months	312,800	-
Deferred income tax liabilities		
Deferred income tax liabilities to be recovered after more than 12 months relating to non-current assets	1,282,121	1,299,294

9 Related party transactions and balances

The Company is owned by Alhurst Holdings Inc. (Alhurst), Mandukwe Inc. (Mandukwe) and Gary Berman.

The Company leases office space from Mandukwe. During the quarter ended March 31, 2010, the Company paid \$22,515 in rental payments including common costs to Mandukwe (2009 - \$27,916).

Key management compensation

Key management includes directors and members of the Executive Committee. Compensation paid or payable to key management for employee services is as follows:

	March 31, 2010	March 31, 2009
	\$	\$
Salaries	696,792	440,352
Discretionary management bonus	1,309,150	1,127,379
	<u>2,005,942</u>	<u>1,567,731</u>

Transactions with related parties

	March 31, 2010	March 31, 2009
	\$	\$
Revenue from investment funds managed by the Company:		
Contractual management fees	2,551,527	2,826,176
Performance fees	670,498	3,664

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Balances arising from transactions with related parties

	March 31, 2010 \$	December 31, 2009 \$
Receivables from related parties included in accounts receivable:		
Contractual management fees receivable from investment funds managed by the Company	280,622	220,298
Performance fees receivable from investment funds managed by the Company	50,686	189,846
Other receivables due on demand from shareholders of the Company included in prepaid expenses and other assets (note 19(vii))	280,167	280,167
Payables to related parties included in accounts payable and accruals	1,737,392	1,430,875
Dividends payable to related parties	-	875,000

Revenues and receivables from related parties relate to contractual management and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing. There are no provisions recorded against receivables from related parties at March 31, 2010 (2009 - \$nil).

The Company and its founding shareholders have indemnified the limited partners of certain funds the Company manages. Refer to note 16 for further details.

10 Salaries and benefits

The Company paid or accrued discretionary bonuses to its employees, in addition to the discretionary management bonus referred to in note 9, during the quarter ended March 31, 2010 in the amount of \$109,000 (March 2009 - \$nil).

11 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

12 Financial instruments

The Company's activities expose it to certain financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's exposure to foreign currency risk and interest rate risk is limited due to the short-term nature of the Company's financial instruments. The effects on net income and comprehensive income of possible changes in interest rates or foreign exchange rates resulting from changes in the fair values of, or cash flows associated with, the Company's financial instruments would not be significant to the Company's operations.

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Credit risk arises from cash and accounts receivable. The Company's cash is held by financial institutions with a minimum credit rating of AA. The Company's receivables consist primarily of contractual management fees and performance fees that are receivable from investment funds managed by the Company. The fair values of these financial instruments approximate their carrying values due to the short maturity of the financial instruments.

The table below analyzes the maturities of the Company's financial liabilities based on their remaining terms:

	Less than six months \$
March 31, 2010	
Accounts payable and accruals	3,737,361
December 31, 2009	
Accounts payable and accruals	2,126,379
Dividends payable	875,000

13 Earnings per share

Earnings per share are calculated by dividing the profit attributable to holders of the Company's common shares by the weighted average number of shares outstanding during the quarter adjusted for the share splits described in notes 7 and 19. The Company has no dilutive potential common shares.

	March 31, 2010 \$	March 31, 2009 \$
Net income attributable to common shareholders	196,820	181,578
Weighted average number of common shares outstanding	7,803,171	7,803,171
Basic and diluted net income per share	0.03	0.02

14 Dividend per share

There were no dividends declared during the quarters ended March 31, 2010 or 2009.

15 General and administration

	March 31, 2010 \$	March 31, 2009 \$
Office and other	96,018	98,990
Rent (note 9)	22,515	39,748
Travel	9,388	10,703
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	127,921	149,441

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16 Indemnification

Pursuant to Indemnification Agreements with certain general partners of limited partnerships managed by the Company and the ultimate shareholders of the Company, the Company has agreed to indemnify the General Partner and the ultimate shareholders and, where applicable, any of their directors, officers, agents and employees (collectively referred to as the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the limited partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any claim or obligation as set out in the limited partnership agreements. There are no amounts payable in respect of this indemnification at March 31, 2010 (December 31, 2009 - \$nil).

17 Entity wide disclosure

	March 31, 2010	March 31, 2009
	\$	\$
Revenue		
Canada	1,770,619	1,061,782
United States of America	1,457,583	1,768,658
	<hr/> 3,228,202	<hr/> 2,830,440
	March 31, 2010	December 31, 2009
	\$	\$
Non-current assets		
Canada	682,589	385,838
United States of America	3,921,370	4,181,163
	<hr/> 4,603,959	<hr/> 4,567,001
	March 31, 2010	March 31, 2009
	\$	\$
Funds under management that represent greater than 10% of revenues		
Tri Continental Capital VI Limited Partnership	388,411	404,573
Tri Continental Capital VII Limited Partnership	420,990	511,519
Tricon VIII Limited Partnership	321,322	323,112
Tricon IX Limited Partnership	1,035,608	1,257,139
Tricon X Limited Partnership	322,012	303,027

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18 Other income

Other income comprises:

- i) A gain on the disposal of the Company's 100% interest in MOD Developments Inc. on January 1, 2010 for net proceeds of \$100 and the assumption by the acquirer of the liabilities of MOD Developments Inc. resulting in a gain of \$138,881. The Company held receivables from MOD Developments Inc. at March 31, 2010, the majority of which were issued as a dividend-in-kind on April 1, 2010, as described in note 19; and
- ii) A gain on the disposal of an investment in real estate for net proceeds of \$88,605 resulting in a gain of \$75,389.

19 Subsequent events

- i) On May 14, 2010, the Company filed a final prospectus (the offering) for the issue of 8,500,000 common shares at a price of \$6.00 per share from the treasury of the Company, resulting in estimated net proceeds of approximately \$48,067,500. In conjunction with the offering, the selling shareholders of the Company offered to sell 2,000,000 common shares of the Company through a secondary offering.
- ii) On May 11, 2010, the Company issued 8,880 and 4,781 common shares to Alhurst and Mandukwe, respectively, in exchange for the transfer to the Company of all of the issued and outstanding shares of 2237176 Ontario Limited, which indirectly held an 80% and 86.5% interest in the performance fees receivable in respect of Tri Continental Capital VII Limited Partnership and Tricon IX Limited Partnership, respectively.
- iii) On May 13, 2010, the 1,013,661 issued and outstanding common shares of the Company were split into an aggregate of 7,909,770 common shares on the basis of 7.803170883 common shares for each previously issued and outstanding common share.
- iv) Prior to the closing of the offering referred to above, the Company and its existing shareholders will complete a reorganization in which the Company will acquire all of the issued and outstanding shares of the general partners of seven of the funds managed by the Company that are not currently owned, and acquire certain other corporations involved with the administration and operation of the active funds managed by the Company. Furthermore, the Company will enter into contractual arrangements pursuant to which all contractual management fees and performance fees received in respect of funds created prior to January 1, 2000 will be for the account of the existing shareholders and certain other individuals and will be allocated and paid to such existing shareholders and other individuals.
- v) Prior to the closing of the offering referred to in (i) above, the Company intends to issue from treasury common shares representing approximately 1.8% of the common shares outstanding at such time to certain employees of the Company in consideration of their past service to the Company.

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- vi) On May 13, 2010, the Company issued to two of its senior executives 679,921 common shares from treasury in consideration of their past services to the Company. On May 13, 2010, the Company also issued 3 and 6 common shares to Alhurst and Mandukwe, respectively, as partial consideration in exchange for all of the issued and outstanding shares of general partners of certain funds managed by the Company.
- vii) On April 1, 2010, the Company recorded a dividend of \$792,516, consisting of a cash dividend of \$19,813 and a dividend-in-kind of \$772,703. The dividend-in-kind was for the distribution of: (i) receivables from shareholders of the Company (described in note 9); (ii) loans receivable from MOD Developments Inc.; and (iii) miscellaneous non-core assets.

20 New accounting requirements

The following pronouncements from the IASB have been adopted by the Company:

- IFRIC 17 “Distributions of non-cash assets to owners” was published in November 2008 and was implemented by the Company on January 1, 2010. The interpretation specifies how an entity should account for distributions of non-cash assets to its owners and will require the Company to recognize non-cash assets distributed to owners at fair value prior to distribution. The adoption of this standard did not have a significant impact on these consolidated financial statements.
- IFRS 3 (Revised) “Business combinations” was issued in January 2008 and applies to business combinations arising on January 1, 2010. Among other changes, the new standard requires recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill, and transaction costs to be recognized immediately in the income statement. Fair value gains or losses on existing investments in an acquired company will be recognized in the consolidated statements of income and comprehensive income at the date of acquisition.
- IAS 27 (Revised) “Consolidated and separate financial statements” was issued in January 2008 and was implemented at the same time as IFRS 3 (Revised). In respect of transactions with non-controlling interests that do not result in a change of control, the revised standard requires that the difference between the consideration paid or received and the recorded non-controlling interest is recognized in equity. In the case of divestment of a subsidiary, any retained interest will be remeasured to fair value and the difference between fair value and the previous carrying value will be recognized immediately in the consolidated statements of income and comprehensive income.
- IFRS 3 (Revised) and IAS 27 (Revised) will both be applied prospectively to transactions occurring on or after January 1, 2010. The adoption of these standards did not have a significant impact on these consolidated financial statements.
- The IASB’s annual improvements project was published in April 2009 and most of the changes are effective on January 1, 2010. The project makes minor amendments to a number of standards in areas including operating segments, share-based payments, leases, intangible assets and financial instruments.

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The adoption of these standards did not have a significant impact on these consolidated financial statements.

- An amendment to IFRS 2 “Share-based payment - Group cash-settled share-based payment transactions” was issued in June 2009 and was implemented by the Company on January 1, 2010. The amendment clarifies the scope of IFRS 2 and the accounting for group cash-settled share-based payment transactions in the financial statements of individual group entities.
- IAS 24 (Revised) “Related party disclosures” was issued in November 2009 and was implemented by the Company on January 1, 2010. The revised standard clarifies the definition of a related party and provides some exemptions for government related entities.

The following pronouncement from the IASB will become effective for future financial reporting periods and has not yet been adopted by the Company:

- IFRS 9 “Financial instruments” was issued in November 2009 and will be implemented by the Company from January 1, 2013. The standard is the first step in the project to replace IAS 39 and covers the classification and measurement of financial assets. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39 by the end of 2010. Management is assessing the impact of this standard on the Company’s consolidated financial statements.

There are no other standards and interpretations in issue but not yet adopted that are expected to have a material effect on the reported income or net assets of the Company.