

Tricon Capital Group Inc.

Interim Consolidated Financial Statements
(Unaudited)
June 30, 2010 and 2009

Tricon Capital Group Inc.
Interim Consolidated Balance Sheets
(Unaudited)

(rounded to the nearest thousands of dollars, except per share amounts)

	June 30, 2010	December 31, 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	15,561,000	1,330,000
Short-term investments	35,000,000	-
Accounts receivable (note 9)	1,089,000	562,000
Prepaid expenses and other assets (note 9)	153,000	395,000
Income taxes recoverable	6,000	5,000
	<hr/>	<hr/>
	51,809,000	2,292,000
Non-current assets		
Investments in associates	36,000	29,000
Intangible assets (note 3)	4,505,000	4,347,000
Office equipment and leasehold improvements (note 4)	176,000	191,000
Deferred income tax assets (note 8)	2,895,000	-
	<hr/>	<hr/>
	59,421,000	6,859,000
Total assets		
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accruals (notes 5 and 9)	1,865,000	2,127,000
Long-term incentive plan accrual - current portion (note 20)	414,000	-
Dividends payable (note 9)	-	875,000
Income taxes payable	35,000	335,000
	<hr/>	<hr/>
	2,314,000	3,337,000
Non-current liabilities		
Deferred income tax liabilities (note 8)	1,192,000	1,299,000
Long-term incentive plan accrual - non-current portion (note 20)	5,424,000	-
	<hr/>	<hr/>
	8,930,000	4,636,000
Equity		
Share capital (note 7)	58,017,000	1,000
Contributed surplus	135,000	-
Retained earnings (deficit)	(7,661,000)	2,222,000
	<hr/>	<hr/>
	50,491,000	2,223,000
Total liabilities and equity		
	<hr/>	<hr/>
	59,421,000	6,859,000

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 Comprehensive Income (Loss) (Unaudited)

(rounded to the nearest thousands of dollars, except per share amounts)

	Six months ended June 30, 2010 \$	Six months ended June 30, 2009 \$
Revenue		
Contractual management fees (note 9)	5,044,000	5,705,000
Performance fees (note 9)	1,208,000	16,000
Other revenue	63,000	19,000
	<u>6,315,000</u>	<u>5,740,000</u>
Expenses		
Salaries and benefits expense (notes 10 and 19)	7,681,000	1,850,000
Professional and director's fees expense	355,000	302,000
Discretionary management bonus expense (note 9)	2,013,000	2,390,000
General and administration expense (note 15)	342,000	314,000
Amortization expense	578,000	577,000
Realized and unrealized foreign exchange (gain) loss	(8,000)	101,000
Long-term incentive plan (note 20)	5,838,000	-
Other income (note 18)	(215,000)	-
	<u>16,584,000</u>	<u>5,534,000</u>
Income (loss) before income taxes	(10,269,000)	206,000
Income tax (recovery) expense (note 8)	(1,179,000)	115,000
Net and comprehensive income (loss) for the period	(9,090,000)	91,000
Retained earnings - Beginning of period	2,222,000	4,200,000
Dividends (note 9)	(793,000)	-
Retained earnings (deficit) - End of period	<u>(7,661,000)</u>	<u>4,291,000</u>
Basic and diluted earnings (loss) per share (note 13)	<u>(0.95)</u>	<u>0.02</u>

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

Tricon Capital Group Inc.

Interim Consolidated Statements of Comprehensive Loss (Unaudited)

(rounded to the nearest thousands of dollars, except per share amounts)

	Three months ended June 30, 2010 \$	Three months ended June 30, 2009 \$
Revenue		
Contractual management fees (note 9)	2,492,000	2,879,000
Performance fees (note 9)	538,000	12,000
Other revenue	57,000	18,000
	<u>3,087,000</u>	<u>2,909,000</u>
Expenses		
Salaries and benefits expense (notes 10 and 19)	6,317,000	937,000
Professional and director's fees expense	219,000	131,000
Discretionary management bonus expense (note 9)	704,000	1,263,000
General and administration expense (note 15)	247,000	164,000
Amortization expense	261,000	289,000
Realized and unrealized foreign exchange (gain) loss	(38,000)	141,000
Long-term incentive plan (note 20)	5,838,000	-
	<u>13,548,000</u>	<u>2,925,000</u>
Loss before income taxes	(10,461,000)	(16,000)
Income tax (recovery) expense (note 8)	(1,174,000)	76,000
Net and comprehensive loss for the period	(9,287,000)	(92,000)
Retained earnings - Beginning of period	2,419,000	4,383,000
Dividends (note 9)	(793,000)	-
Retained earnings (deficit) - End of period	<u>(7,661,000)</u>	<u>4,291,000</u>
Basic and diluted loss per share (note 13)	<u>(0.82)</u>	<u>(0.01)</u>

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)

(rounded to the nearest thousands of dollars, except per share amounts)

	Share capital \$	Contributed surplus \$	Retained earnings \$	Total \$
Balance at January 1, 2009	1,000	-	4,200,000	4,201,000
Net and comprehensive loss for the year	-	-	(1,103,000)	(1,103,000)
Dividends	-	-	(875,000)	(875,000)
Issuance of common shares (note 7)	-	-	-	-
Balance at December 31, 2009	1,000	-	2,222,000	2,223,000
Net and comprehensive loss for the period	-	-	(9,090,000)	(9,090,000)
Dividends (note 9)	-	-	(793,000)	(793,000)
Issuance of common shares (note 7)	62,694,000	-	-	62,694,000
Equity issuance costs - net of income taxes of \$1,742,000	(4,678,000)	-	-	(4,678,000)
Stock option expense (note 19)	-	135,000	-	135,000
Balance at June 30, 2010	58,017,000	135,000	(7,661,000)	50,491,000

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

Tricon Capital Group Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)

(rounded to the nearest thousands of dollars, except per share amounts)

	Six months ended June 30, 2010 \$	Six months ended June 30, 2009 \$
Cash provided by (used in)		
Operating activities		
Net and comprehensive income (loss) for the period	(9,090,000)	91,000
Adjustments for		
Amortization	578,000	577,000
Deferred income taxes	(1,266,000)	(98,000)
Long-term incentive plan	5,838,000	-
Gifted shares expense	5,041,000	-
Stock option expense	135,000	-
Gain on disposal of investment in real estate (note 18)	(76,000)	-
Gain on disposal of MOD Developments Inc. (note 18)	(139,000)	-
Other	(2,000)	7,000
	<u>1,019,000</u>	<u>577,000</u>
Changes in non-cash working capital items		
Accounts receivable	(883,000)	1,946,000
Prepaid expenses and other assets	(36,000)	-
Accounts payable and accruals	(272,000)	(2,941,000)
Income taxes payable/recoverable	(299,000)	168,000
	<u>(471,000)</u>	<u>(250,000)</u>
Investing activities		
Purchase of office equipment	(14,000)	(4,000)
Purchase of short-term investments	(35,000,000)	-
Placement fees	-	(685,000)
Proceeds on disposal of investments	89,000	-
Other	(3,000)	(1,000)
	<u>(34,928,000)</u>	<u>(690,000)</u>
Financing activities		
Issuance of common shares - net of issue costs	50,525,000	-
Dividends paid	(895,000)	-
	<u>49,630,000</u>	<u>-</u>
Change in cash during the period	<u>14,231,000</u>	<u>(940,000)</u>
Cash - Beginning of period	<u>1,330,000</u>	<u>2,297,000</u>
Cash - End of period	<u>15,561,000</u>	<u>1,357,000</u>
Supplementary information		
Income taxes paid	375,000	55,000
Equity issuance costs included in accounts payable and accruals	660,000	-
Intangible assets purchased with shares	707,000	-
Dividend-in-kind	773,000	-

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

Tricon Capital Group Inc.

Interim Consolidated Statements of Cash Flows (Unaudited)

(rounded to the nearest thousands of dollars, except per share amounts)

	Three months ended June 30, 2010 \$	Three months ended June 30, 2009 \$
Cash provided by (used in)		
Operating activities		
Net and comprehensive loss for the period	(9,287,000)	(92,000)
Adjustments for		
Amortization	261,000	289,000
Deferred income taxes	(1,249,000)	124,000
Long-term incentive plan	5,838,000	-
Gifted shares expense	5,041,000	-
Stock option expense	135,000	-
Other	(3,000)	8,000
	<u>736,000</u>	<u>329,000</u>
Changes in non-cash working capital items		
Accounts receivable	(428,000)	2,560,000
Prepaid expenses and other assets	90,000	-
Accounts payable and accruals	(859,000)	(2,067,000)
Income taxes payable/recoverable	35,000	(73,000)
	<u>(426,000)</u>	<u>749,000</u>
Investing activities		
Purchase of office equipment	(6,000)	-
Purchase of short-term investments	(35,000,000)	-
Placement fees	-	(260,000)
Other	(3,000)	-
	<u>(35,009,000)</u>	<u>(260,000)</u>
Financing activities		
Issuance of common shares - net of issue costs	50,525,000	-
Dividends paid	(20,000)	-
	<u>50,505,000</u>	<u>-</u>
Change in cash during the period	<u>15,070,000</u>	<u>489,000</u>
Cash - Beginning of period	<u>491,000</u>	<u>868,000</u>
Cash - End of period	<u>15,561,000</u>	<u>1,357,000</u>
Supplementary information		
Income taxes paid	20,000	27,000
Equity issuance costs included in accounts payable and accruals	660,000	-
Intangible assets purchased with shares	707,000	-
Dividend-in-kind	773,000	-

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

Tricon Capital Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

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.), 2237176 Ontario Limited (effective May 11, 2010), TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continental (1997) Ltd., Tri Continental III Ltd., Tri Continental IV Ltd., Tri Continental Capital V Ltd., Tri Continental Capital VI Ltd., Tricon VIII Ltd. and Tricon X Ltd. (effective May 13, 2010) (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.

On May 20, 2010, the Company successfully completed an initial public offering at \$6.00 per common share.

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 interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and in accordance with the interpretations of the International Financial Reporting Interpretations Committee, as issued by the International Accounting Standards Board. These interim consolidated financial statements have been prepared using the historical cost convention and were authorized for issue on August 3, 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 International Financial Reporting Standards 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, the determination of the long-term incentive plan accrual 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

Tricon Capital Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

voting rights. Subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated at the date on which control ceases.

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 and performance fee rights intangible assets

Placement fee intangible assets represent costs incurred to secure investment management contracts. Performance fee rights intangible assets represent costs incurred to obtain rights to receive future performance fees from certain funds. These 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 funds, which is generally eight years.

Placement fee and performance fee rights intangible assets 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 and performance fee rights intangible assets are written down to the higher of their value-in-use and fair value less costs to sell.

Tricon Capital Group Inc.

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June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

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 comprehensive income.

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 and cash equivalents, short-term investments, accounts receivable, accounts payable and accruals and dividends payable. Cash and cash equivalents, short-term investments 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.

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(Unaudited)

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(rounded to the nearest thousands of dollars, except per share amounts)

Dividends

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

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 also considers the effects of stock options in calculating diluted earnings per share.

Stock option plan

The Company accounts for its stock option plan by calculating the fair value of the options at the grant date using a Black-Scholes option pricing model. This amount is recognized as compensation cost using the graded vesting method over the vesting period of the options.

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Notes to Interim Consolidated Financial Statements

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June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

Long-term incentive plan

Payments under the Company's long-term incentive plan (LTIP), which are paid only if and when performance fees are generated from funds under management, are based on 50% of performance fees earned by the Company. Amounts under the LTIP are allocated among the employees based on amounts defined in employment agreements. The Company accounts for its LTIP using the fair value based method under which compensation expense is recognized at the time of grant for the estimated fair value of the participant's rights, as they vest.

3 Intangible assets

	June 30, 2010 \$	December 31, 2009 \$
Placement fees		
Cost - Opening and Ending	8,516,000	8,516,000
Accumulated amortization - Opening	(4,169,000)	(3,098,000)
Amortization expense	(536,000)	(1,071,000)
Accumulated amortization - Ending	(4,705,000)	(4,169,000)
Net book value - Ending	3,811,000	4,347,000
Rights to performance fees		
Cost - Opening and Ending (note 7)	707,000	-
Accumulated amortization - Opening	-	-
Amortization expense	(13,000)	-
Accumulated amortization - Ending	(13,000)	-
Net book value - Ending	694,000	-
Net book value - Ending	4,505,000	4,347,000

Tricon Capital Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

4 Office equipment and leasehold improvements

	Furniture \$	Office equipment \$	Computer equipment \$	Leasehold improvements \$	Total \$
As at January 1, 2009					
Cost	132,000	50,000	395,000	409,000	986,000
Accumulated amortization	(127,000)	(29,000)	(362,000)	(230,000)	(748,000)
Net book value	5,000	21,000	33,000	179,000	238,000
Year ended December 31, 2009					
Opening net book value	5,000	21,000	33,000	179,000	238,000
Additions	-	-	4,000	17,000	21,000
Amortization expense	(4,000)	(7,000)	(26,000)	(31,000)	(68,000)
Net book value	1,000	14,000	11,000	165,000	191,000
As at December 31, 2009					
Cost	132,000	50,000	399,000	426,000	1,007,000
Accumulated amortization	(131,000)	(36,000)	(388,000)	(261,000)	(816,000)
Net book value	1,000	14,000	11,000	165,000	191,000
Period ended June 30, 2010					
Opening net book value	1,000	14,000	11,000	165,000	191,000
Additions	4,000	-	10,000	-	14,000
Amortization expense	(1,000)	(4,000)	(11,000)	(13,000)	(29,000)
Net book value	4,000	10,000	10,000	152,000	176,000
As at June 30, 2010					
Cost	136,000	50,000	409,000	426,000	1,021,000
Accumulated amortization	(132,000)	(40,000)	(399,000)	(274,000)	(845,000)
Net book value	4,000	10,000	10,000	152,000	176,000

There were no impairment charges in 2010 and 2009.

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Notes to Interim Consolidated Financial Statements

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(rounded to the nearest thousands of dollars, except per share amounts)

5 Accounts payable and accruals

	June 30, 2010 \$	December 31, 2009 \$
Accounts payable and accruals	952,000	685,000
Indirect taxes payable	-	11,000
Discretionary management bonuses payable to related parties	913,000	1,431,000
	<u>1,865,000</u>	<u>2,127,000</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 \$43,000 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	38,000
2011	27,000
2012	25,000
2013	25,000
2014	21,000
Thereafter	8,000

7 Share capital

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares. As at 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.

On May 11, 2010, the Company issued 8,880 and 4,781 common shares to Alhurst and Mandukwe, respectively, resulting in an increase to share capital of \$707,000, in exchange for the transfer to the Company of all 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.

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June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

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.

On May 13, 2010, the Company issued 6 and 3 common shares to Mandukwe and Althurst, respectively, at \$6 per share, resulting in an increase to share capital of \$54, as partial consideration for Canadian General Partners shares (TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continental (1997) Ltd., Tri Continental III Ltd, Tri Continental IV Ltd., Tri Continental V Ltd., Tri Continental VI Ltd., Tricon VIII Ltd. and Tricon X Ltd.) and transfer of rights to performance fees.

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, resulting in an increase to share capital of \$4,080,000.

On May 19, 2010, the Company issued to its employees 160,300 common shares from treasury in consideration of their past services to the Company, resulting in an increase to share capital of \$962,000.

The Company issued 8,500,000 common shares at a price of \$6.00 per share on May 20, 2010, the date the initial public offering was completed, for gross proceeds of \$51,000,000. On June 17, 2010, the underwriters of the Company's initial public offering exercised a portion of their over-allotment option and purchased 990,871 shares at \$6.00 per share for gross proceeds of \$5,945,000. After deducting net issuance costs of \$4,678,000, the net increase to share capital was \$52,267,000.

As of June 30, 2010, the Company had 18,240,871 common shares outstanding.

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Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2010

(rounded to the nearest thousands of dollars, except per share amounts)

8 Income taxes

	Three months ended June 30		Six months ended June 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Current income taxes				
Current income taxes on income for the period	63,000	(48,000)	75,000	213,000
Adjustments relating to prior years	12,000	-	12,000	-
	<u>75,000</u>	<u>(48,000)</u>	<u>87,000</u>	<u>213,000</u>
Deferred income taxes				
Origination and reversal of temporary differences	(1,684,000)	124,000	(1,701,000)	(98,000)
Adjustments relating to prior years	(7,000)	-	(7,000)	-
Impact of change in effective income tax rates	442,000	-	442,000	-
	<u>(1,249,000)</u>	<u>124,000</u>	<u>(1,266,000)</u>	<u>(98,000)</u>
Income tax (recovery) expense	<u>(1,174,000)</u>	<u>76,000</u>	<u>(1,179,000)</u>	<u>115,000</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:

	Three months ended June 30		Six months ended June 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Income before income taxes	(10,461,000)	(16,000)	(10,269,000)	206,000
Combined statutory federal and provincial income tax rate	30.99%	33.00%	30.99%	33.00%
Expected income tax expense	(3,242,000)	(6,000)	(3,182,000)	67,000
Tax rate differential (small business deduction and foreign tax rates)	(3,000)	3,000	(3,000)	(3,000)
Tax effects of				
Permanent differences	1,627,000	67,000	1,604,000	39,000
Change in effective income tax rates	442,000	-	442,000	-
Valuation allowance (reversal) in respect of deferred income tax asset of MOD Developments Inc.	-	12,000	(46,000)	12,000
Other	2,000	-	6,000	-
Income tax (recovery) expense	<u>(1,174,000)</u>	<u>76,000</u>	<u>(1,179,000)</u>	<u>115,000</u>

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

	June 30, 2010 \$	December 31, 2009 \$
Deferred income tax assets relating primarily to equity issuance costs and LTIP to be recovered after more than 12 months	2,895,000	-
Deferred income tax liabilities relating to non-current assets to be recovered after more than 12 months	1,192,000	1,299,000

9 Related party transactions and balances

Until May 19, 2010, the Company was owned by Alhurst Holdings Inc. (Alhurst), Mandukwe Inc. (Mandukwe) and Gary Berman. The Company completed an initial public offering on May 20, 2010.

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the period ended June 30, 2010, the Company paid \$45,000 in rental payments, including common costs, to Mandukwe (2009 - \$53,000).

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:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2010 \$	2009 \$	2010 \$	2009 \$
Salaries	484,000	489,000	1,181,000	929,000
Discretionary management bonus	704,000	1,263,000	2,013,000	2,390,000
STIP, LTIP and stock option expense (notes 19 and 20)	6,020,000	-	6,020,000	-
	<u>7,208,000</u>	<u>1,752,000</u>	<u>9,214,000</u>	<u>3,319,000</u>

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Transactions with related parties

The following table summarizes revenue from investment funds managed by the Company, which are considered related parties as the Company is the general partner for the investment funds:

	Three months ended June 30		Six months ended June 30	
	2010 \$	2009 \$	2010 \$	2009 \$
Contractual management fees	2,492,000	2,879,000	5,044,000	5,705,000
Performance fees	538,000	12,000	1,208,000	16,000

Balances arising from transactions with related parties

	June 30, 2010 \$	December 31, 2009 \$
Receivables from related parties included in accounts receivable		
Contractual management fees receivable from investment funds managed by the Company	236,000	220,000
Performance fees receivable from investment funds managed by the Company	103,000	190,000
Other receivables due on demand from shareholders of the Company included in prepaid expenses and other assets	-	280,000
Payables to related parties included in accounts payable and accruals	913,000	1,431,000
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 June 30, 2010 (December 31, 2009 - \$nil).

On April 1, 2010, the Company recorded a dividend of \$793,000, consisting of a cash dividend of \$20,000 and a dividend-in-kind of \$773,000. The dividend-in-kind was for the distribution of: (i) receivables from shareholders of the Company; (ii) loans receivable from MOD Developments Inc.; and (iii) miscellaneous non-core assets.

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 three and six months ended June 30, 2010 in the amount of \$230,000 and \$339,000, respectively (June 30, 2009 - three months - \$35,000, six months - \$35,000).

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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.

Credit risk arises from cash and cash equivalents, short-term investments and accounts receivable. The Company's cash and cash equivalents and short-term investments are 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 \$
June 30, 2010	
Accounts payable and accruals	1,865,000
December 31, 2009	
Accounts payable and accruals	2,127,000
Dividends payable	875,000

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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 period retroactively adjusted for the share splits described in note 7. The Company's stock options are anti-dilutive at June 30, 2010.

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Net income (loss) attributable to common shareholders	(9,287,000)	(92,000)	(9,090,000)	91,000
Weighted average number of common shares outstanding	11,282,404	7,803,171	9,542,788	7,803,171
Basic and diluted net income (loss) per share	(0.82)	(0.01)	(0.95)	0.02

14 Dividends per share

Refer to note 9 for dividends-in-kind declared to related parties. There were no other dividends declared during the quarters ended June 30, 2010 or 2009.

15 General and administration

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Office and other	218,000	137,000	281,000	237,000
Rent (note 9)	22,000	14,000	44,000	54,000
Travel	7,000	13,000	17,000	23,000
	<u>247,000</u>	<u>164,000</u>	<u>342,000</u>	<u>314,000</u>

16 Indemnification

Pursuant to Indemnification Agreements with certain general partners of limited partnerships managed by the Company and certain shareholders of the Company, (whom are also officers and directors of the Company), the Company has agreed to indemnify the General Partner and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, 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 June 30, 2010 (December 31, 2009 - \$nil).

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17 Entity-wide disclosure

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2010 \$	2009 \$	2010 \$	2009 \$
Revenue				
Canada	1,643,000	1,269,000	3,413,000	2,331,000
United States of America	1,444,000	1,640,000	2,902,000	3,409,000
	<u>3,087,000</u>	<u>2,909,000</u>	<u>6,315,000</u>	<u>5,740,000</u>
			June 30, 2010	December 31, 2009
Non-current assets				
Canada			3,943,000	386,000
United States of America			3,669,000	4,181,000
			<u>7,612,000</u>	<u>4,567,000</u>

Revenue from funds under management that represent greater than 10% of revenues are as follows:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2010 \$	2009 \$	2010 \$	2009 \$
Tri Continental Capital VI Limited Partnership	355,000	410,000	743,000	815,000
Tri Continental Capital VII Limited Partnership	420,000	482,000	841,000	994,000
Tricon VIII Limited Partnership	327,000	327,000	648,000	650,000
Tricon IX Limited Partnership	1,022,000	1,161,000	2,058,000	2,418,000
Tricon X Limited Partnership	319,000	395,000	641,000	698,000

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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 \$139,000. 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 9; and
- ii) A gain on the disposal of an investment in real estate for net proceeds of \$89,000 resulting in a gain of \$76,000.

19 Compensation arrangements

The Company operates various equity-settled and cash-settled arrangements. The sections below detail the different arrangements.

Stock option plan

Stock options are granted to all employees. The exercise price of the options, at the grant date, is no less than the volume-weighted average trading price of the common shares for the five trading days immediately preceding the grant date.

The options are not conditional on any performance criteria, and shall vest equally at one-third per year for the next 3 years (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

The first issuance of options under the stock option plan occurred on May 19, 2010, and no options have been exercised during the period to June 30, 2010. Movements in number of share options outstanding and their related weighted average exercise price are as follows:

	2010	
	Average exercise price in \$ per share	Options (in thousands)
At January 1, 2010	-	-
Granted during the period	6.00	895
At June 30, 2010	6.00	895

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No options were exercisable at June 30, 2010 as the first vesting date has not yet been met for any options granted.

Stock option expense for the second quarter of 2010 of \$135,000 is included in salaries and benefits expense. There is no stock option expense relating to any other periods presented in these interim consolidated financial statements.

All options outstanding as at June 30, 2010 have an expiry date of May 19, 2020 and an exercise price of \$6.00.

The fair value of the options granted in the quarter, determined using the Black-Scholes valuation model, was \$1.49 per option. The significant weighted average inputs into the model were:

Share price	\$6.00
Exercise price	\$6.00
Expected volatility	34%
Expected dividend yield	4%
Expected option life	10 years
Risk-free interest rate	3%

Tricon became a public company on May 20, 2010 and, as such, expected volatility was determined based on volatility over the last six years of a group of publicly traded companies deemed to be of comparable size and nature to Tricon.

Short-term incentive plan

All of the Company's employees participate in the short-term incentive plan (STIP). The STIP pool is determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company to receive a payment under the STIP. STIP expense is accrued quarterly and is recorded in salaries and benefits expense. STIP expense was \$47,000 in the second quarter of 2010 (\$nil for all other periods presented). The STIP accrual of \$47,000 is classified within current liabilities in the consolidated balance sheet as payment is expected within one year.

Deferred unit plan

The deferred unit plan (DUP) is open to all independent Board directors and allows these individuals, at their discretion, to elect to have their director fees contributed to the DUP. Contributions made to the DUP will take the form of notional units, whose value will be based upon the share trade price of Tricon common shares. These notional units do not have any vesting restrictions, nor any conditions of any service or performance criteria, and are non-forfeitable. These notional units may only be redeemed when the respective director no longer serves on the Board of Directors of Tricon. At that time, the notional units shall be redeemed in cash by the Company, based on the common share trade price as at that date. The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns, which could take place at any time. There was no DUP expense recognized in any of the periods presented.

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Gifted shares

In the second quarter of 2010, 840,221 shares were gifted to executives and management in consideration for past services provided. These gifted shares are eligible to receive dividends, do not have any vesting restrictions, nor any conditions of any service or performance criteria, and are non-forfeitable. The gifted shares shall be released to the respective holders to allow the holders to sell the shares, in one third tranches, over a three year period starting from May 20, 2010. The Company has no legal or constructive obligation to repurchase or settle the awards in cash.

The gifted shares were recorded in salaries and benefits expense based on their grant date value of \$5,041,000. None of these awards have been released to the respective holders, and as such no shares have been sold during the period to June 30, 2010.

20 Long-term Incentive Plan

Certain of the Company's executives and management participate in the LTIP. The LTIP pool is determined based on 50% of performance fees earned from funds managed by the Company and is paid only if and when performance fees are generated from the funds. All employees participating in the LTIP relating to funds currently in existence are fully vested in the plan. For future funds, the employees LTIP entitlements will vest at one third each year from the first closing of such future funds. The LTIP liability is determined based on 50% of the expected performance fee that would be generated from the fair value of the assets within each fund at the balance sheet date, such performance fees will be recognized as revenue when earned. The fair value determination of the assets within a fund is based on a discounted cash flow model and requires management to make estimates and judgements concerning the future. These estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates, assumptions and management judgements have a significant risk of causing a material adjustment to the carrying value of amounts of the LTIP liability within the next financial year.

The most significant assumptions used in determining the LTIP liability relate to the future cash flows anticipated from projects within the funds managed by the Company and the discount rate applied to those cash flows.

If the expected performance fee cash flows relating to each project were increased or decreased relating to each project by 5%, the LTIP liability would increase by \$109,000 or decreased by \$109,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by \$195,000 or increase by \$234,000, respectively.

The current portion of the LTIP liability of \$414,000 is based on expected payments under the LTIP to be made within the next fiscal year. The remaining LTIP liability of \$5,414,000 is classified in non-current liabilities. LTIP expense was \$5,838,000 in the second quarter of 2010 (\$nil for all other periods presented).

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21 Subsequent event

On August 3, 2010, the Company recorded a dividend of \$0.06 per share, following approval from the Board of Directors.

On August 3, 2010, 71,500 stock options were granted to employees of the Company.

22 New accounting requirements

There are no 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.