



August 17, 2017

ProPhotonix Limited

("ProPhotonix" or "the Company")

ProPhotonix Announces New Restricted Line Stock

ProPhotonix Limited (London Stock Exchange - AIM: PPIX, OTC: STKR), a high technology designer and manufacturer of LED illumination systems and laser diode modules, with operations in Ireland and the United Kingdom, announces that 22,042,143 of the Company's existing common shares of \$0.001 each ("Common Shares"), trading under the Company's existing ISIN (US7434651060) are being transferred with effect from August 18, 2017 to a new restricted line of common shares, represented by a new ISIN (USU743121142) and new ticker (AIM: PPIR) ("Restricted Line Stock").

Application has been made for the Restricted Line Stock to be admitted to trading on AIM ("Admission") and it is expected that Admission will become effective and that dealings in the Restricted Line Stock will commence at 8.00 a.m. on August 18, 2017. The Restricted Line Stock will be identical in all respects with the Common Shares trading on the Company's existing ISIN save that the Restricted Line Stock will be subject to the conditions listed under section 903(b)(3), or Category 3, of Regulation S ("Regulation S") promulgated under the US Securities Act 1933 ("Securities Act").

Upon Admission, the Restricted Line Stock (as represented by Depository Interests) may be held in the CREST system and will be segregated into a separate trading system within CREST identified with the marker "REG S" and ISIN USU743121142.

Following Admission, the total issued share capital of the Company will remain unchanged at 90,825,402 Common Shares. There are no Common Shares held in treasury. Therefore, the total number of voting rights in the Company will be 90,825,402. Shareholders in the Company may use this figure as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company.

Important Notice

Each purchaser of the Restricted Line Stock ("Purchaser") agrees to reoffer or resell the Restricted Line Stock only pursuant to registration under the Securities Act or in accordance with the provisions of Regulation S or pursuant to another available exemption from registration, and agrees not to engage in hedging transactions with regard to such securities unless in compliance with the Securities Act. The restrictions restrict purchasers of the Restricted Line Stock from reselling the Restricted Line Stock in the United States or to a US Person. These restrictions may remain in place or be reintroduced following the expiry of one year following Admission in relation to the Restricted Line Stock at the discretion of the Company.

The Restricted Line Stock to be admitted to trading on AIM and held in the CREST system as Depository Interests will be identified with the marker "REGS" and will be segregated into a separate trading system within CREST. The "REGS" marker also indicates that the Restricted Line Stock held in the CREST system will

also bear a legend setting out certain transfer restrictions and other information, including that: (i) transfers of the Restricted Line Stock are prohibited except in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act; and (ii) hedging transactions involving the Restricted Line Stock may not be conducted unless in compliance with the Securities Act.

Representations, warranties and certifications must be made through the CREST system by those selling or acquiring the Restricted Line Stock. If such representations, warranties and certifications cannot be made or are not made, settlement through CREST will be rejected. Furthermore, any Restricted Line Stock held by "Affiliates" (as defined in Rule 405 of the Securities Act) of the Company shall be held in certificated form and accordingly settlement shall not be permitted via CREST until such time as the relevant restrictions are no longer applicable. Affiliates of the Company at the time of Admission (or at any time during the 90 days immediately before Admission), or investors that become Affiliates at any time after Admission, should seek independent US legal counsel prior to selling or transferring any Restricted Line Stock.

THE RESTRICTED LINE STOCK HAS NOT BEEN, AND IS NOT EXPECTED TO BE, REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OF JAPAN, ANY PROVINCE OF CANADA, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA OR IN ANY OTHER JURISDICTION WHERE THIS WOULD CONSTITUTE A BREACH OF APPLICABLE SECURITIES LEGISLATION. ACCORDINGLY, SUBJECT TO CERTAIN EXCEPTIONS, THE RESTRICTED LINE STOCK MAY NOT, DIRECTLY OR INDIRECTLY, BE OFFERED OR SOLD WITHIN JAPAN, ANY PROVINCE OF CANADA, AUSTRALIA, THE REPUBLIC OF SOUTH AFRICA OR A NATIONAL, CITIZEN OR RESIDENT OF JAPAN, ANY PROVINCE OF CANADA, AUSTRALIA OR REPUBLIC OF SOUTH AFRICA.

FURTHERMORE, THE RESTRICTED LINE STOCK HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OF AMERICA, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OF AMERICA, OR TO OR FOR THE ACCOUNT OR BENEFIT OF US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), ABSENT REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE RESTRICTED LINE STOCK MAY BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-US PERSONS IN "OFFSHORE TRANSACTIONS" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH AND IN RELIANCE ON THE SAFE HARBOUR FROM REGISTRATION PROVIDED BY SECTION 903(B)(3), OR CATEGORY 3, OF REGULATION S UNDER THE SECURITIES ACT.

This Announcement does not constitute a prospectus or offering memorandum or an offer in respect of any securities and is not intended to provide the basis for any decision in respect of the Company or other evaluation of any securities of the Company or any other entity and should not be considered as a recommendation that any investor should subscribe for or purchase any such securities.

This Announcement or any part of it does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in the United States, Japan, any province of Canada, Australia, the Republic of South Africa or any other jurisdiction in which the same would be unlawful. No public offering of the Restricted Line Stock is being made in any such jurisdiction.

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About ProPhotonix

ProPhotonix Limited, headquartered in Salem, New Hampshire, is a high technology designer and manufacturer of LED illumination systems and laser diode modules for industry leading OEMs and medical equipment companies. In addition, the Company distributes premium diodes for Ushio (formerly OCLARO), Osram, QSI, Panasonic, and Sony. The Company serves a wide range of markets including the machine vision, industrial inspection, security, and medical markets. ProPhotonix has offices and subsidiaries in the U.S., Ireland, U.K., and Europe. For more information about ProPhotonix and its innovative products, visit the Company's web site at www.prophotonix.com.