



July 14, 2017

ProPhotonix Limited

("ProPhotonix" or "the Company")

Trading update and extension of Rights Plan

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, today announces a trading update and extension of the Rights Plan.

Trading update

First Half 2017

The Company's term debt has been fully repaid as of June 29, 2017. A total of \$3.3 million of principal and interest was repaid since the notes were restructured in June, 2013. The remaining non-trade debts (\$1.3 million) of the Company relate to equipment leases and the sales discount facility which has been in place for approximately nine years.

Revenue for the first half 2017 is expected to be approximately \$8.3 million, an increase of 4% over the 2016 comparable figure. The revenue growth stems from an increase in sales to several major customers, partially offset by a decrease in sales to one large customer that converted to an alternate technology in the second quarter of 2017.

Operating income for the first half 2017 is expected to be approximately \$500,000, a decrease of approximately \$245,000 versus the 2016 comparable figure. The reduction in operating income results is a reflection of the investment the Company is making for the future growth of the business and from increased sales expenses from the hiring of additional staff in the fourth quarter of 2016, increased engineering and development costs associated with several large original equipment manufacturing ("OEM") projects, and the continuing investment in the UV LED product development.

Second Half 2017

The order book for the second half 2017, as of June 30, 2017, is \$6.0 million (2016: \$5.7 million) and the Company continues to trade in line with market expectations for the full year. ProPhotonix does not provide forecasts without sufficient visibility to allow for reasonable certainty of the forecast. However, sales, general and administrative (SG&A)

costs in the second half of 2017 are expected to increase due to the award of stock options, as announced on June 6, 2017. These stock option awards are predominantly performance based with vesting tied to specific management objectives. These non-cash stock compensation costs are expected to amount to approximately \$100,000 per month based on the market value at the time of the awards, which has risen threefold since the beginning of the 2017 (from 5.75p to 18.5p). The free cash flow and EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation and impairment charges) as a non-GAAP financial measure, of the Company will not be negatively impacted for these charges.

The Directors expect that the Company's unaudited interim results for the six months to 30 June 2017 will be released in early September 2017.

Tim Losik, CEO of ProPhotonix, stated - "We continue to position ProPhotonix toward future revenue growth and profits. With the term debt repaid, we are making further investments in personnel, capital, and product development to enable the growth of the Company. These investments may depress the short term profitability though we expect will enhance future performance."

Rights Plan

The Board of Directors of ProPhotonix have unanimously approved extension of the Company's Rights Plan (the "Plan") until August 28, 2020. The Plan is designed to ensure that all shareholders of the Company realize the long-term value of their investment in the Company; that they receive fair and equal treatment in the event of a potential takeover of the Company; that they are protected in the event of any of a two-tier or partial tender offer, open market accumulations and other tactics designed to gain control of the Company without the payment of a fair price by an offeror; and to enhance the Board of Directors' ability to negotiate with a prospective acquirer. The Board determined that extension of the Plan is in the best interest of the Company's shareholders.

The Plan and the extension of the Plan were adopted in accordance with Delaware law. As set out on the Company's website, the Company is not subject to the City Code on Takeovers and Mergers. A summary of the terms of the Plan, and a copy of the Plan as amended, are available on the Company's website at <http://www.prophotonix.com/investors/Stockinfo.aspx>.

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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.

Cautionary Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation, those with respect to ProPhotonix's goals, plans and strategies set forth herein are forward-looking statements. The following important factors and uncertainties, among others, could cause actual results to differ materially from those described in these forward-looking statements: uncertainty that cash balances may not be sufficient to allow ProPhotonix to meet all of its business goals; uncertainty that ProPhotonix's new products will gain market acceptance; the risk that delays and unanticipated expenses in developing new products could delay the commercial release of those products and affect revenue estimates; the risk that one of our competitors could develop and bring to market a technology that is superior to those products that we are currently developing; and ProPhotonix's ability to capitalize on its significant research and development efforts by successfully marketing those products that the Company develops. Forward-looking statements represent management's current expectations and are inherently uncertain. All Company, brand, and product names are trademarks or registered trademarks of their respective holders. ProPhotonix undertakes no duty to update any of these forward-looking statements.

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