PROPHOTONIX LIMITED REPORTS 2010 THIRD QUARTER FINANCIAL RESULTS

Sales Increase 66%, Gross Profits Up 116%

Q3 2010 Financial Highlights:

- Revenue $3.9 million vs. $2.3 million in Q3 2009, a 66% increase year over year;
- Revenue up 6% sequentially vs. Q2 of 2010;
- LED Revenues up 142% vs. Q3 of 2009 and up 13% sequentially;
- Gross Profits in Q3 up 116% vs. Q3 2009;
- Gross margin 39.9% vs. 30.7% in Q3 2009;
- EBITDA positive (before London Stock Exchange – AIM admission costs) vs. $0.5 million loss in Q3 2009;
- Order bookings $3.2 million, ending backlog $6.1 million;
- Percentage Revenue by Market Sectors: industrial 72%; medical 22%; and defense 6%;
- Percentage Revenue by Geography: 55% Europe, 34% North America and 11% Rest of World.

Salem, N.H. — October 26, 2010 — ProPhotonix Limited, formerly StockerYale, Inc. (Pink Sheet OTC: STKR), a designer and manufacturer of LED arrays and light engines, produces laser modules and distributes laser diodes for industrial OEMs, medical and defense markets, announces its financial results for the third quarter ended September 30, 2010. Results are reported from continuing operations and exclude discontinued operations, unless otherwise stated.

Third Quarter 2010 Financial Results

Total revenue for the third quarter of 2010 of $3.9 million increased 66% from the third quarter of 2009. The increase in sales was due to a $1.1 million increase in the LED segment, a 142% increase and a $0.4 million increase in the Photonic Products segment.

Gross profit was $1.6 million for the three months ended September 30, 2010, a 116% increase compared to the third quarter of 2009. During the three months ended September 30, 2010, gross margin was 40% compared with 31% in the third quarter of 2009, mainly due to increased volumes, mix of products and improved productivity in our LED segment.

Operating expenses totaled $2.0 million for the third quarter of 2010, an increase of 33% as compared to the third quarter of 2009. The 2010 operating expenses include costs of approximately $194,000 related to the proposed admission of the Company's shares to the London Stock Exchange's AIM Market. Non-cash amortization of intangible assets decreased to $99,000 versus $198,000 for the third quarter of 2009. Sales and marketing expenses increased by approximately $166,000, or 43%, associated with the increase in revenue plus increased advertising, and marketing and product management personnel. Research and development expenses were 3% higher at $161,000 due to increased engineering resources in the Company's LED business. General and administrative expenses, excluding AIM charges, increased $129,000, or 14%, versus the third quarter of 2009.

Excluding AIM Admission expenses, adjusted EBITDA was $27,000, a $540,000 improvement over the prior year. EBITDA loss was $167,000 for the quarter compared to an EBITDA loss of $515,000 for the third quarter of 2009. Net loss from continuing operations, excluding fees relating to AIM, were $0.3 million, or $0.01 per share. Net loss including discontinued operations was $0.5 million or $0.01 per share. This compares to net loss of $1.5 million or $0.03 per share for the third quarter of 2009.

Outlook

"During the third quarter, the Company made significant progress on all fronts including sales growth, profitability, and product marketing and development. We are pleased to continue a positive EBITDA trend in the third quarter. This achievement was led by the significant sales growth to medical and solar inspection customers and profitability of our LED operation," stated Mark W. Blodgett, Chairman and CEO. "We were particularly pleased with the overall improvement in gross margin to 40%, which demonstrates both continued cost management and the positive operating leverage associated with our business model. We expect these trends to continue as we enter the fourth quarter with a strong order book. In addition, we continue to take steps to enter the general illumination market for LEDs, which represents an important opportunity for the Company to leverage both its technology and LED production capacity in Cork, Ireland," added Blodgett.

ABOUT PROPHOTONIX LIMITED (FORMERLY STOCKERYALE, INC.):

ProPhotonix Limited, headquartered in Salem, New Hampshire, is an independent designer and manufacturer of diode-based laser modules and LED systems for industry leading OEMs. In addition, the Company distributes premium diodes for Opnext, Sanyo & Sony. The Company serves a wide range of markets including the machine vision, industrial inspection, defense, sensors, and medical markets. ProPhotonix has offices and subsidiaries in the U.S., Ireland, and Europe. For more information about ProPhotonix and their innovative products, visit the Company's web site at www.prophotonix.com

SAFE HARBOR 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.

Investor Relations Contact:
ProPhotonix — Tel: +1 (603) 893-8778
Mark W. Blodgett, CEO — IRInfo@ProPhotonix.com

Hansard Communications — Tel: +44 (0) 20 7245 1100
Kirsty Corcoran/John Bick — ProPhotonix@hansardcomms.com

Use of Non-GAAP Financial Measures

The Company provides non-GAAP financial measures, such as EBITDA, to complement its consolidated financial statements presented in accordance with GAAP. Non-GAAP financial measures do not have any standardized definition and, therefore, are unlikely to be comparable to similar measures presented by other reporting companies. These non-GAAP financial measures are intended to supplement the user's overall understanding of the Company's current financial and operating performance and its prospects for the future. Specifically, the Company believes the non-GAAP results provide useful information to both management and investors by identifying certain expenses, gains and losses that, when excluded from the GAAP results, may provide additional understanding of the Company's core operating results or business performance, which management uses to evaluate financial performance for purposes of planning for future periods. However, these non-GAAP financial measures are not intended to supersede or replace the Company's GAAP results.

The Company uses EBITDA (earnings before interest, taxes, depreciation, amortization, and stock-based compensation) as a non-GAAP financial measure in this press release. A reconciliation of EBITDA to net income / (loss) for the third quarter ended 2010 is as follows:

	Three Months Ended (in thousands) September 30,	
	2010	**2009**
Net Loss	(454)	(1,450)
Loss from discontinued operations	17	25
Plus:		
Interest and other (income) / expense (net)	(125)	460
Depreciation	131	138
Intangible asset amortization	99	198
Stock based compensation	125	110
Tax benefit	(46)	(205)
Amortization of Debt Discount & Financing Costs	86	209
EBITDA loss	(167)	(515)
One-time charges – AIM Admission costs	194	-
Adjusted EBITDA gain / (loss)	27	(515)

Consolidated Statements of Operations
(Unaudited)
($ In thousands except share and per share data)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Net Sales	$3,899	$2,347
Cost of Sales	2,345	1,627
Gross Profit	1,554	720
Research & Development Expenses	161	156
Selling, General & Administrative Expenses	1,816	1,327
Amortization of Intangible Assets	99	198
Operating Loss	(522)	(961)
Other income / (expense), net	237	(415)
Amortization of debt discount and financing costs	(86)	(209)
Interest expense	(112)	(45)
Loss Before Taxes from Continuing Operations	(483)	(1,630)
Tax benefit	46	205
Net Loss from Continuing Operations	(437)	(1,425)
Loss from Discontinued Operations	(17)	(25)
Net Loss	$ (454)	$ (1,450)
Loss Per Share		
Loss from Continuing Operations	($0.01)	($0.03)
Income/(Loss) from Discontinued Operations	($0.00)	($0.00)
Net loss per share	($0.01)	($0.03)
Weighted Average Shares Outstanding	44,407,504	44,108,929

Consolidated Balance Sheet

(Unaudited)

($ in Thousands)

	September 30, 2010	December 31, 2009
Assets		
Current Assets	$5,284	$7,736
Property, Plant & Equipment, Net	3,629	3,835
Other Assets	1,447	1,805
	$10,360	**$13,376**
Liabilities & Stockholders Deficit		
Total Current Liabilities	$8,172	$7,123
Long Term Debt	1,413	3,281
Long Term Lease and Other Liabilities	3,392	3,287
Stockholders deficit	(2,617)	(315)
Total Liabilities & Stockholders Deficit	**$10,360**	**$13,376**