SPECTRA7 ANNOUNCES FINANCIAL RESULTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2016

Company Achieves Record Quarterly Revenues and Exceeds Full Year 2015 Revenues in the First Six Months of 2016

August 11, 2016 – Toronto, ON and Palo Alto, CA – (TSX:SEV) Spectra7 Microsystems Inc. ("Spectra7" or the "Company") today announced its unaudited financial results for the three and six month periods ended June 30, 2016. A copy of the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2016 prepared in accordance with International Financial Reporting Standards and the corresponding Management's Discussion and Analysis ("MD&A") will be available under the Company's profile on www.sedar.com. All amounts are in US dollars unless otherwise noted.

Q2 2016 Highlights

- Revenue for the three months ended June 30, 2016 increased by $1.6 million to $2.6 million representing an increase of 150% over the same period in the previous year. Year-to-date revenues of $5.1 million increased by $3.4 million over the same period in the previous year, and represent over 120% revenue for the year ended December 31, 2015.

- The gross margin[1] percentage during the three months ended June 30, 2016, was 55%, down from 62% in the prior quarter as the Company's newer products represented a higher percentage of overall revenues. The Company expects that its newer products will achieve higher margins through efficiencies of scale over the coming quarters.

- The Company added 15 new design-ins across three market segments.

- The Board anticipates having a new CEO in place during the current quarter.

"We are thrilled to post these results, which confirm the value that the Company's vision, unique patented technology and strength of the team has across growing market segments, especially as we dealt with the mid-quarter loss of our CEO Tony Stelliga", said Dave Mier, Chief Financial Officer.

Financial Summary

Revenue for the three months ended June 30, 2016 increased by $1.6 million to $2.6 million representing an increase of 150% over the same period in the previous year. Year-to-date revenues of $5.1 million increased by $3.4 million over the same period in the previous year,

[1] Additional GAAP Measure – Gross margin is presented in this press release consistent with information presented in the Company's financial statements. Gross margin has been calculated by deducting manufacturing cost of sales, and provision for inventory write-downs from revenue. Management believes that providing this information allows investors to better understand the Company's historical and future financial performance.

and represent over 120% of the revenue for the year ended December 31, 2015. The increase in revenue was due primarily to the rise in the sale of the Company's embedded products in the growing augmented reality ("AR"), virtual reality ("VR") and media interconnect markets.

Gross margin[2] as a percentage of revenue during the three months ended June 30, 2016 was 55%, down from 62% in the prior quarter as the Company's newer products represented a higher percentage of overall revenues. The Company expects that its newer products will achieve higher margins in successive periods through cost reductions.

Research and development expense during the three and six month periods ended June 30, 2016 increased by 38% and 30%, respectively, over the same periods in the previous year. The Company has continued to invest a significant amount of resources in research and development with increases in engineering payroll and consumer material expenditures such as test boards, tape-out costs and production of prototypes. During the six months ended June 30, 2016, the Company added 32 design-ins across four market segments. The Company also continued hiring engineering and technical staff in its new data centre established in Little Rock, Arkansas in October 2015.

Sales and marketing expense for the three and six months ended June 30, 2016, respectively, increased by $0.09 million and $0.37 million or 28% and 54%, respectively, compared to the same periods the previous year. The Company has accelerated its selling and marketing activities in order to capitalize on the rising demand in the consumer VR and AR markets and to address its wider customer base.

General and administrative expenses for the three and six months ended June 30, 2016 increased by $0.02 million and $0.35 million or 3% and 25%, respectively, compared to the same periods the previous year.

Net loss for the three and six month periods ended June 30, 2016 was $2.5 million and $5.1 million, respectively, a decrease of 22% and 22%, respectively, from the net loss for the same periods of the previous year. Other comprehensive loss relates to the unrealized foreign currency effect of translating the Company, whose functional currency is Canadian dollars, to US dollars for financial reporting purposes.

For a complete discussion of expenses please refer to the financial statements and the MD&A.

ABOUT SPECTRA7 MICROSYSTEMS INC.

Spectra7 Microsystems Inc. is a high performance consumer connectivity company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading consumer electronics manufacturers in virtual reality, aug mented reality, wearable computing, data centers and ultra-HD 4K/8K displays. Spectra7 is based in Palo Alto, California, with design centers in Markham, Ontario, Cork, Ireland, and Little Rock, Arkansas. For more information, please visit www.spectra7.com.

CAUTIONARY NOTES

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Certain statements contained in this press release constitute “forward-looking statements”. All statements other than statements of historical fact contained in this press release, including, without limitation, those regarding the Company’s future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to the risk factors discussed in the Company’s annual MD&A for the year ended December 31, 2015. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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