

Spectra7 Announces Preliminary Fourth Quarter and Annual 2016 Financial Results

Spectra7 Reports Expected Revenue Growth of 104% Over Prior Year

PALO ALTO, CA - January 10, 2017 - (TSX:SEV) Spectra7 Microsystems Inc. ("Spectra7" or the "Company"), a leading provider of high-performance analog semiconductor products for virtual reality (VR), augmented reality (AR), data center and other connectivity markets today announced preliminary selected unaudited financial results for the three and twelve month periods ended December 31, 2016.

Audited financial results for the three and twelve months ending December 31, 2016 will be released in March 2017. The information contained herein may change based on final results. Unless otherwise indicated, all amounts in this release are expressed in US dollars.

Preliminary Q4 2016 Results

- The Company expects to report revenues of approximately \$2.5 million, which would represent an increase of 135% over the prior quarter and 58% over the same period in the prior year. Gross margin as a percentage of revenue is expected to be approximately 59%-61% compared to 55% in the prior quarter and 46% during the three months ended December 31, 2015.

Preliminary Annual Results

- The Company expects to report revenues of approximately \$8.6 million for the twelve month period ended December 31, 2016 representing an increase of 104% over the twelve month period ended December 31, 2015.

CEO Commentary

"I am delighted with the business rebound in Q4, which was driven by a recovery in our core VR business coupled with an early ramp in AR," said Spectra7 CEO Raouf Halim. "The doubling of revenue we expect to report in 2016 over the prior year is a testimony to the unique, highly differentiated analog technology that Spectra7 brings to the connectivity market."

"We ended fiscal 2016 by securing multiple, material design wins with tier-one customers in Q4. These tier-one design wins span both AR and VR markets, as well as the emerging MR (Mixed Reality) markets." said Spectra7 CEO Raouf Halim.

ABOUT SPECTRA7 MICROSYSTEMS INC.

Spectra7 Microsystems Inc. is a high performance analog semiconductor company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading electronics manufacturers in virtual reality, augmented reality, data

centers and other connectivity markets. 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

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 and the interim MD&A for the nine months ended September 30, 2016. 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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