



**SPECTRA7 REPORTS RECORD REVENUE
AND CONTINUED STRONG GROSS MARGIN FOR Q2'14**

First Half Revenues increase to more than \$2.0 million; Gross Margins Continue Strong at 76%

AUGUST 15, 2014 – Toronto, ON – (TSX-V:SEV) Spectra7 Microsystems Inc. (“Spectra7” or the “Company”), a high performance interconnect company delivering unprecedented bandwidth, speed, and resolution to enable new classes of industrial design for market-leading consumer electronics, today announced its unaudited financial results for the three and six month periods ended June 30, 2014. A copy of the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2014 prepared in accordance with International Financial Reporting Standards and the corresponding Management’s Discussion and Analysis will be available under the Company’s profile on www.sedar.com. All amounts are in US dollars unless otherwise noted.

Q2 Highlights

- Commenced production of the Company’s Virtual Reality VR7100 product based on design wins and subsequent purchase orders for use of the Company’s product in leading wearable computing and virtual reality platforms to meet increasing consumer demand;
- Continued to achieve milestones in pursuit of design wins for DisplayDirect™ with continued successful product demonstrations to leading tier-one flat panel OEMs;
- Attained record revenue for the quarter of \$1.1 million and exceeded \$2.0 million for the first half ending June 30, 2014, up 44% year-over-year and 33% over the prior quarter;
- Delivered strong quarterly gross margins of 76% for the quarter and for the first half ending June 30, 2014; an increase of 11% compared to the first half of 2013;
- Expanded the Company’s market footprint with the launch of CouchConnect™ for Gamers, a low latency, ultra-light active HDMI gaming interconnect that brings the power of mobile gaming on handheld devices to the a large screen HDTV; and
- Closed the fully exercised over-allotment option bringing total aggregate proceeds of the Company’s unit public offering to Cdn.\$8,050,000.

“Spectra7 is at the cusp of a new and exciting growth phase driven by the global growth of wearable computing, virtual reality and ultra-thin high resolution displays,” said Tony Stelliga, CEO of Spectra7. “Recent first market availability of leading consumer products featuring the Company’s latest products underscore the Company’s ability to rapidly deliver new products that enhance consumer experience. Our high performance analog signal processing capabilities and strong system expertise enable us to deliver on our vision of setting the industry standard for ultra-light, micro thin extended interconnects capable of delivering ultra-high resolution and dramatic consumer appeal of product industrial design. As a result, Spectra7 continues to demonstrate its ability to execute operationally to drive revenue growth and gross margin.”

Financial Summary

The following table is a summary of the financial information presented in the financial statements:

| | Three months ended June | | Six months ended June | |
|-------------------|-------------------------|-------------|-----------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | \$ | \$ | \$ | \$ |
| Revenue | 1,145,992 | 1,110,046 | 2,007,734 | 1,395,487 |
| Cost of Sales | 272,156 | 330,474 | 481,112 | 495,517 |
| Gross Margin | 873,836 | 779,572 | 1,526,662 | 899,970 |
| Gross Margin % | 76% | 70% | 76% | 64% |
| Operating Expense | 3,314,661 | 3,257,184 | 5,690,977 | 5,303,152 |
| Other expense | 806,514 | 635,046 | 1,861,191 | 3,350,122 |
| Net loss | (3,247,339) | (3,112,658) | (6,025,546) | (7,753,304) |

Revenue

Revenue for the quarter attained a record \$1.145 million and topped \$2.0 million for the first half, ended June 30, 2014 up 44% compared to the first half of 2013. Interconnect product revenue increased by 129% for the first half ended June 30, 2014 year-over-year and 24% over the prior quarter. This increase is driven by demand for active cable products for high resolution HD displays and by market availability of the Company’s Virtual Reality products in market-leading VR platforms that commenced volume production in the quarter to meet consumer demand. Wireless revenue for the six month period ended June 30, 2014 was \$0.309 million, 53% lower than the same period the previous year. This was due to the Company decision to refocus its resources on high growth revenue opportunities.

Gross Margins

Product gross margins remained strong at 76% for the first half, up 12% year-over-year as a result of improved product mix and higher margins for interconnect products with orders placed from the Company's new and existing customers.

Expenses

Operating expenses for the six month period ended June 30, 2014 are 7% higher than the same period in the previous year. While the Company has significantly reduced resources, the loss of eligibility for the Scientific Research and Experimental Development investment tax credits and the higher tape-out costs related to new products have resulted in operating expense increases.

On July 24, 2014, the Company commenced the closure of its Irvine, California office to allow the Company to further optimize interconnect product development and delivery efforts. Expenses in the third quarter of 2014 are expected to decrease as the Company integrates the Irvine location into the Company's Palo Alto Design Center.

Product and Customer Highlights

During the three month period ended June 30, 2014, the Company made significant progress to accelerate its product development as market-leading platforms with the Company's technology commenced volume shipments including:

- Commenced production and shipments for the Company's DisplayDirect™ Virtual Reality VR7100 product based on design wins and purchase orders to use the Company's product in leading wearable computing and virtual reality platforms;
- Announced CouchConnect™ for Gamers, an ultra-light, active HDMI gaming interconnect that enables immersive, real-time mobile gaming from a handheld device onto a large screen HDTV at the E3 Expo, one of the largest virtual reality and gaming events in North America; and
- Introduced the WR7100, the first chip of its kind to enable ultra-thin near transparent weavable interconnects that can deliver real-time deep color 4K UHD resolution from wearable visual systems to on-person mobile phones and storage devices, shortly after the end of the quarter.

ABOUT SPECTRA7 MICROSYSTEMS INC.

Spectra7 Microsystems Inc. is a high performance analog semiconductor company delivering unprecedented speed, resolution and signal fidelity that enables ultra-light, high-speed, micro-thin interconnects which enable new classes of industrial design for market-leading consumer electronic products including Ultra-HD 4K Displays and Televisions, Virtual Reality, Wearable Computing and Tablets. Spectra7 is headquartered in Markham, Ontario with development centers in Silicon Valley, California and Cork, Ireland. 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, 2013. 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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