



SPECTRA7 ANNOUNCES PRELIMINARY THIRD QUARTER 2014 FINANCIAL RESULTS
*Expects Record Quarterly Revenue and Gross Margins; Third Quarter Revenue Grows 170%
Year-Over-Year and Gross Margins Exceed 80%*

OCTOBER 21, 2014 – Palo Alto, CA and Toronto, ON – (TSX-V:SEV) Spectra7 Microsystems Inc. (“Spectra7” or the “Company”) today announced preliminary selected unaudited financial results for the three and nine months ended September 30, 2014. Unaudited financial statements for the fiscal third quarter ended September 30, 2014 will be released in November 2014. The information contained herein may change based on final results. Unless otherwise indicated, all amounts in this release are expressed in US dollars.

The Company expects to report record quarterly revenue of approximately \$1.7 million for the three months ended September 30, 2014. This represents an increase of 45% over the prior quarter and an increase of 170% compared to the same period last year. Gross margins¹ for the three-month period ended September 30, 2014 will exceed 80%, up from 76% in the previous quarter and from 69% in the same period last year. The Q3 2014 financial results indicate record quarterly revenue and gross margins for the Company and continued strong product gross margins for the second consecutive quarter.

The Company expects to report revenue of approximately \$3.7 million for the nine-month period ended September 30, 2014, representing a year-over-year increase of 83%. Gross margins for the nine month period ended September 30, 2014 grew to 79%, up from 66% for the same period last year.

Following the end of Q3 2014, a number of warrants issued in connection with the Company’s prior equity financings were exercised, resulting in proceeds to the Company of over CDN\$1.0 million. As previously announced, the Company also recently entered into an agreement with an arm’s length party whereby, upon the satisfaction of certain conditions precedent, the lender has agreed to provide a CDN\$4.75 million subordinate secured non-revolving loan facility. These events have substantially enhanced the Company’s access to capital to further accelerate product development and delivery.

“Spectra7’s record revenue and gross margins for the second consecutive quarter reflects the unique value of the Company’s products, technology and business model in multiple high growth market segments including virtual reality, wearable computing and consumer interconnects.” said Tony Stelliga, CEO of Spectra7. “Our recent milestones in new orders, new products and access to new capital underline our growing momentum in these markets.”

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, Wearable Computing and Ultra-HD 4K/8K Displays. Spectra7 is based in Palo Alto, California and Markham, Ontario with a Design Center in Cork, Ireland. For more information, please visit www.spectra7.com.

CAUTIONARY NOTES

Certain statements contained in this press release constitute “forward-looking statements” within the meaning of applicable securities laws. 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 and assumptions 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. Additional factors that could cause actual results, performance and 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. Actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. 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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- (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, freight and provision for inventory write-downs from revenue. Management of the Company believes that providing this information allows investors to better understand its historical and future financial performance.