SPECTRA7 ANNOUNCES FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

Company Achieves Record Quarterly Revenues as new Embedded Products Move into Production

MAY 13, 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 month period ended March 31, 2016. A copy of the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 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.

Q1 2016 Highlights

- Revenue for the three months ended March 31, 2016 increased by $1.8 million to $2.5 million representing an increase of 262% over the same period in the previous year, and an increase of $0.9 million over the fourth quarter of 2015.

- The Company added to its existing order backlog of new confirmed orders or "bookings" of $2.5 million during the first quarter of 2016, matching the $2.5 million record bookings set in the third quarter of 2015.

- The Company added 17 new design-ins across four market segments.

- The gross margin[1] percentage during the three months ended March 31, 2016 was 62%, up from 46% in the prior quarter as the Company's newer products moved from development and into mass production. Gross margin percentage is down 16 % from the first quarter 2015 gross margin of 78%. Sales of the Company's newer products in the first quarter of 2016 have gross margins typically lower due to higher pre-production ramp costs. The Company has started to see the cost of these products decrease and expects the trend of lower costs to continue. Declines in license and royalty revenue have also impacted gross margin negatively.

- On March 30, 2016, the Company closed a $6.5 million senior secured term loan facility with Midcap Financial. The loan facility is for a 36 month term with interest payable monthly in arrears at an annual rate of one month LIBOR plus 8.50%, subject to a LIBOR floor of

[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 of the Company believes that providing this information allows investors to better understand the Company's historical and future financial performance.

0.50%. The Company used the net proceeds from the facility to pay off its existing bank term loan and expects to use the remaining funds for working capital requirements.

"We are pleased with the record revenues, design-ins, and strong bookings in the first quarter of 2016" said Tony Stelliga, CEO of Spectra7. "These accomplishments underline the strength of our new products in our chosen high growth end markets."

Financial Summary

Revenue for the three months ended March 31, 2016 increased by $1.8 million to $2.5 million representing an increase of 262% over the same period in the previous year. The increase in revenue was due primarily to the rise in the sale of the Company's embedded products in the growing AR, VR and media interconnect markets.

Gross margin[1] as a percentage of revenue for the three months ended March 31, 2016 is lower by 16% from the same period in the previous year. Sales of the Company's newer products in the first quarter of 2016 have gross margins typically lower due to higher pre-production ramp costs. The Company has started to see the cost of these products decrease and expects the trend of lower costs to continue. Declines in license and royalty revenue have also impacted gross margin negatively.

The Company has expanded its portfolio of products throughout 2015 and early 2016 and continues to invest a significant amount of resources in research and development. Additional engineering payroll and higher consumer material expenditures such as test boards, tape-out costs and production of prototypes are the main contributors to a 22% increase in research and development expense during the three month period ended March 31, 2016 over the same quarter last year.

With its growing portfolio of product groups and the rising demand in the consumer VR and AR markets, the Company has significantly increased its selling and marketing efforts. Sales and marketing expenses for the three months ended March 31, 2016 increased by $0.3 million to $0.6 million representing an 80% increase over the same period of the previous year.

General and administrative expenses for the three months ended March 31, 2016 are 61% higher than the same period the prior year. Spectra7 has experienced significant growth over the last year and the level of general and administrative expenditures have increased as a result. During the latter part of 2015, the Company added two new executives to the management team, established a new development center location in Little Rock, Arkansas to target the emerging data center market opportunity, and expanded its design facilities in Palo Alto, California by more than 50%.

Net loss for the three months ended March 31, 2016 was $2.5 million, a decrease of 22% from the net loss for the same period of the previous year. The reduced net loss is largely attributed to the significantly higher sales during the three months ended March 31, 2016 compared to the same period in 2015. 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. Total comprehensive loss decreased by $0.8 million, representing a 25% decrease over the same period of the previous year.

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

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Midcap Financial. The loan facility is for a 36 month term with interest payable monthly in arrears at an annual rate of one month LIBOR plus 8.50%, subject to a LIBOR floor of 0.50%. Interest only is payable for the first 12 months of the term with the principal and interest thereafter amortized on a straight-line basis until the maturity date. The loan facility is secured by a first charge over all of the existing and subsequently acquired assets of the Company and each of its subsidiaries other than its subsidiary located in China. On March 30, 2016, the Company used a portion of the net proceeds from the loan facility to repay its existing bank term loan and expects to use the remaining net proceeds for ongoing working capital requirements. Pursuant to the terms of the facility, the Company issued to the lenders an aggregate of 855,010 common share purchase warrants (each, a "Warrant") with each Warrant being exercisable into one common share in the capital of the Company for a period of five years at a price of CDN$0.60 per share.

Product and Customer Development

Data Centers

In January 2016, the Company announced the establishment of the first of a new class of data center interconnects – the GaugeChanger™. The product line is comprised of the GC2502 - an embedded analog signal processing chip, and GaugeChanger™ – a proprietary ultra-thin copper transmission link. These cables combine a high data rate of fiber with the low cost and low power consumption of copper, providing data centers with the best of both worlds. GaugeChanger™ supports the emerging 802.xxx QXFP standard on NRZ or Multilevel signaling for the majority of interconnect reaches in today's high-density data centers.

When used together, the GC2502 chip and the GaugeChanger™ combine to form what the Company believes to be one of the world's fastest, thinnest and lightest copper data center interconnects. For in-rack connection lengths of up to 1.5m, GaugeChanger™ provides an ultra-thin 3.8mm outside diameter. For intra-rack lengths of 2m to 5m, the Company's GaugeChanger PlusTM provides longer reach at the same ultra-thin diameter. Passive copper links at this speed are up to 70% bulkier by cross-sectional area and up to 3 times heavier, putting a significant burden on rack spacing, air flow and density.

As consumers and businesses continue to move their data to the cloud, the need for larger and more efficient data centers is growing rapidly. At present, fiber is the only alternative for data centers seeking high-performance interconnects as copper is typically too bulky and inflexible at these speeds. GaugeChanger™, however, extends the life of copper with interconnects that are as fast and as thin as fiber, but at a dramatically lower cost and lower power consumption.

DreamWeVR™

On March 15, 2016, the Company announced the launch of DreamWeVR™, an extensive product line targeted at next generation Ultra-HD and 5K resolution virtual reality and augmented reality platforms. The product line includes four new chips, new VR-specific connectors and three new head-mounted display "HMD" interconnect configurations to support high-bandwidth, low-latency VR HMDs and AR glasses.

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, augmented reality, wearable computing, data

centers and ultra-HD 4K/8K displays. Spectra7 is based in Palo Alto, California with design centers in Markham, Ontario 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, 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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