11 November 2021

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

RECOMMENDED CONDITIONAL CASH ACQUISITION

of

ProPhotonix Limited ("ProPhotonix" or the "Company")

by Exaktera, LLC ("Exaktera")

through its wholly owned subsidiary PPL Merger Sub Inc. ("Merger Sub")

to be effected under the terms of a merger agreement by and among ProPhotonix, Exaktera and Merger Sub

Proposed Cancellation from Trading on AIM

Related Party Transaction

ProPhotonix, a designer and manufacturer of LED illumination systems and laser diode modules with operations in Ireland and the United Kingdom, is pleased to announce that it has reached an agreement on the terms of a recommended acquisition ("**Acquisition**") under which Exaktera will, subject to stockholder approval, acquire all of the outstanding shares of ProPhotonix ("**Company Common Stock**") for an aggregate consideration of approximately $11,600,000 (which equates to £8,700,000 as of the date of the Merger Agreement, as defined below) in cash (or $0.117 per share) pursuant to the terms of an agreement and plan of merger entered into on 10 November 2021 between ProPhotonix, Exaktera, Merger Sub and others (the "**Merger Agreement**"). All amounts shown in Pounds Sterling (£) are based on the closing foreign currency rate as at 10 November 2021.

Exaktera was founded by Union Park Capital ("**Union Park**") to act as a holding company for a group of companies Union Park is building in the high-precision OEM market.

The ProPhotonix Board of Directors (the "**Board**") unanimously approved the Merger Agreement and has recommended that the Stockholders vote in favour of adoption of the Merger Agreement. As described in greater detail below, this transaction will require the approval of Stockholders at the Stockholders Meeting of the Company to be held on 15 December 2021 as described below. At the same time, and conditional upon the successful approval of the Merger Agreement, the Company is also seeking Stockholder approval for the proposed cancellation of the Company's common stock from trading on AIM, a market of the London Stock Exchange. Further details of which, including a timetable of principal events, are set out below.

Certain capitalized terms used in this announcement have the meanings specified in the Appendix affixed hereto.

Key terms of the Acquisition

- Under the terms of the Merger Agreement, Stockholders will be entitled to receive $0.117 (which equates to £0.087 as of the date of the Merger Agreement) for each share of Company Common Stock.

- The Acquisition Price is fixed and will be paid in US Dollars.

- The Acquisition Price values the entire issued and to be issued share capital of the Company at approximately $11.6 million (which equates to £8.7 million as of the date of the Merger Agreement) and represents a premium of:

    1. approximately 54.6% over the thirty trading day average closing price of the Company's Common Stock on the OTC market of $0.076 ending on 9 November 2021; and

    2. approximately 53.8% over the thirty trading day average closing price of the Company's Common Stock on AIM of 0.056 pence ending on 9 November 2021.

- As at the date of this announcement, ProPhotonix has 93,300,402 shares of Company Common Stock outstanding and admitted to trading on AIM.

- Tim Losik, the Company's CEO, has agreed to personally indemnify the acquiror for damages up to $341,362 resulting from the potential breach of certain representations and warranties by the Company in the merger agreement.

- Merger Sub is a newly incorporated company formed for the purpose of implementing the Acquisition. Merger Sub has not carried on any business prior to the date of the Merger Agreement and has not prepared any historical financial accounts. The Acquisition is proposed as a merger of Merger Sub with and into the Company, in accordance with the Delaware General Corporation Law, with the Company being the surviving corporation. The Acquisition is not governed by the UK City Code on Takeovers and Mergers ("**Takeover Code**") by virtue of ProPhotonix's status as a corporation incorporated in Delaware with its registered office located outside the UK. Accordingly, the Acquisition is not subject to the jurisdiction of, nor is it being regulated by, the Panel on Takeovers and Mergers in the UK and Stockholders will not be afforded the protections of the Takeover Code.

- The Acquisition is subject to the approval of Stockholders at the Stockholders Meeting of the Company to be convened by way of an explanatory circular and notice of meeting ("**Proxy Statement**") to be published as soon as practicable and, in any event, within 30 days of the date of this Announcement. A copy of this document will also be available, pursuant to the Aim Rules for Companies, on the Company's website (www.prophotonix.com) from that date. Please see "**Expected Timetable of Principal Events**" below. At the Stockholders Meeting, the Stockholders will be asked to consider and vote on two resolutions (the "**Resolutions**") as follows:

1. a resolution approving and adopting the Acquisition and the terms of the Merger Agreement (the "**Merger Resolution**"), which resolution will require approval by Stockholders holding a majority (greater than 50%) of the issued and outstanding shares of Company Common Stock entitled to vote at the Stockholders Meeting; and

2. a resolution approving the cancellation of the admission of the Company's Common Stock from trading on AIM prior to the closing of the Acquisition (the "**Delisting Resolution**"), which resolution will require approval by Stockholders holding at least 75% of the votes cast at the Stockholders Meeting.

- In connection with the entry into the Merger Agreement, Tim Losik, holding approximately 15.6 percent of the outstanding Company Common Stock, entered into the Joinder Agreement, which, among other things, obligates him to affirmatively vote all of his shares of Company Common Stock in favour of the Resolutions and against any competing proposal.

- The Board considers the terms of the Acquisition to be fair to all Stockholders. Accordingly, the Board has unanimously approved the transaction and intends unanimously to recommend that the Stockholders vote in favour of the Resolutions to be proposed at the Stockholders Meeting.

- The Proxy Statement, which will be posted to stockholders shortly after this Announcement, incorporates a notice convening the Stockholders Meeting at 11:30 a.m. Eastern Time (U.S.) on 15 December 2021 at the offices of Nutter, McClennen & Fish LLP, 155 Seaport Boulevard, Boston, Massachusetts, 02210, United States.

- The Acquisition is subject to the satisfaction or waiver of the conditions and further terms that are set out in the Merger Agreement and will be further described in the Proxy Statement.

- Conditional to the Acquisition closing, Tim Losik, the president and chief executive officer of the Company will receive a performance/retention bonus of US$300,000 (which equates to £225,000 as of the date of the Merger Agreement) (the "**Performance Bonus**") in recognition of the many contributions he made to the Company, including exceptional leadership through challenging periods (including but not limited to those resulting from the COVID-19 global pandemic), reducing the debt burden on the Company (thereby eliminating the Company's dependence on lenders and debt), strengthening the Company's balance sheet, voluntarily reducing his compensation to reduce expenses during the COVID-19 pandemic and then being the last employee to reinstate his full salary, frequent international travel on behalf of the Company, improved operational and financial results, leadership in connection with the Company's efforts to identify and consummate a favorable transaction with an acquiror and his willingness to remain an employee of the Company subsequent to the closing of the transaction. The bonus was approved by the Governance, Nominations and Remuneration committee of the Board at a meeting held on 10 November 2021. Given the nature of this payment, it is deemed to be a related party transaction pursuant to AIM Rule 13 of the AIM Rules for Companies, and further details on this are set out below.

The Board considers the Acquisition to be advisable and in the best interests of the Stockholders. Accordingly, **the Board unanimously recommends that Stockholders vote in favour of the Resolutions to be proposed at the Stockholders Meeting**.

Proposed Cancellation

If the Merger Agreement is approved then, following the associated Merger, the Common Stock of the Company will cease to exist in its current form and accordingly the Directors have agreed it is necessary to seek the Cancellation. In accordance with Rule 41 of the AIM Rules for Companies ("**AIM Rules**"), the Company has notified the London Stock Exchange of the proposed Cancellation which is conditional upon the consent of not less than 75 per cent. of votes cast by the Company's stockholders in the meeting detailed above

Subject to the relevant resolutions being passed at the stockholder meeting, it is anticipated that trading in the Common Stock on AIM will cease at close of business on 16 December 2021 with Cancellation taking effect at 7.00 am on 17 December 2021. A full timetable of events is set out below.

Upon Cancellation becoming effective, WH Ireland will cease to be nominated adviser and broker to the Company and the Company will no longer be required to comply with the AIM Rules.

The principal effects of the Cancellation would be that:

- there would no longer be a formal market mechanism enabling Stockholders to trade their shares on AIM or any other market or trading exchange;
- the Company would not be bound to announce material events, administrative changes or material transactions nor to announce interim or final results;
- the Company would no longer be required to comply with any of the additional specific corporate governance requirements for companies admitted to trading on AIM; and
- the Company would no longer be subject to the AIM Rules and Stockholders will no longer be required to vote on certain matters as provided in the AIM Rules.

Related Party Transaction

The payment of the Performance Bonus is deemed to be a related party transaction pursuant to AIM Rule 13 of the AIM Rules for Companies. The Company's board of directors (excluding Tim Losik, who is the recipient of the Performance Bonus) having consulted with Company's Nominated Adviser, WH Ireland Limited, consider that the terms of the Performance Bonus are fair and reasonable insofar as the Stockholders of the Company are concerned.

For Further Information:

ProPhotonix Limited:

Tim Losik
President and CEO

Tel: +1 603 893 8778
Email: ir@prophotonix.com

WH IRELAND LIMITED (NOMAD and Broker):

Katy Mitchell/Harry Ansell
Nominated Adviser and Broker
Tel: +44 (0) 20 7220 1666

Expected Timetable of Principal Events

Event	**Time and/or Date**
Execution of Merger Agreement	10 November 2021
Last time for lodging the Form of Direction	11:30 a.m. Eastern Time (U.S.) on 10 December 2021***
Record Date for determining the Stockholders entitled to vote at and receive notice of the Stockholders Meeting	11 November 2021
Last time for lodging the Form of Proxy	11:30 a.m. Eastern Time (U.S.) on 13 December 2021***
Last time for lodging the Form of Declarations	11:30 a.m. Eastern Time (U.S.) on 13 December 2021***
Stockholders Meeting of Company	11:30 a.m. Eastern Time (U.S.) on 15 December 2021
Distribution of the Proxy Statement and Notice of Stockholders Meeting	16 November 2021
Last day of dealing in Company Common Stock on AIM	16 December 2021*
Closing of the Acquisition	16 December 2021*
Payment of Acquisition Price to Stockholders commences**	16 December 2021*
Termination of the Depository Interest Register	7:00 a.m. London Time on 17 December 2021
Date of Cancellation	7:00 a.m. London time on 17 December 2021*

*Subject to satisfaction or waiver of other conditions to closing as provided for in the Merger Agreement.

**Further details as to how Stockholders receive the Acquisition Price is set out below.

*** Dates based on current estimates and are subject to change.

Reasons for the Acquisition

In the course of reaching its decision to approve the Merger Agreement, to declare that the Merger Agreement and the Acquisition are fair to, advisable and in the best interests of the Stockholders and to recommend that the Stockholders vote to approve the Merger Agreement, our Board consulted with our senior management. Our Board also received the advice of our financial adviser, Lincoln International, and consulted with outside legal counsel regarding its fiduciary duties, the terms of the Merger Agreement and related legal matters. The following discussion includes the material reasons and factors considered by our Board in making its decision and recommendation, but is not, and is not intended to be, exhaustive.

Factors considered by our Board weighing in favour of the Acquisition included:

Acquisition Price. Our Board considered the following with respect to the Acquisition Price to be received by the Stockholders:

- that holders of Company Common Stock will be entitled to receive an Acquisition Price that provides liquidity from an otherwise thinly traded stock and as compared to the uncertain future long-term value to Stockholders that might or might not be realized if we remained independent (or if we were sold in a stock deal and the Stockholders received stock of the purchaser or the combined companies as the Acquisition Price);
- the fact that the per share value of the Acquisition Price represents a significant premium (54.6%) of the Company's Common Stock on the OTC Market over the thirty trading day average closing price of $0.076 ending on 9 November 2021, and (53.8%) of the Company's Common Stock on AIM over the thirty trading day average closing price of 0.056 pence ending on 9 November 2021 (with such calculations done as of the date of the Board's approval of the Merger Agreement);
- an assessment of the Company's business, assets, prospects, competitive position, historical and projected financial performance, short- and long-term capital needs and the nature of the industry in which the Company competes;
- the fact that the Board carefully evaluated, with the assistance of its legal advisers, its financial adviser Lincoln International LLP, and members of management, the risks and potential benefits associated with other strategic or financial alternatives and the potential for shareholder value creation associated with those alternatives, including wind-up costs associated with the dissolution of the Company, and the Board's belief that, in light of this rigorous evaluation process, Exaktera's offer is the best offer available;
- the fact that the Board and its advisors vigorously negotiated the terms of the Acquisition with Exaktera and the Board's belief that such negotiations have allowed it to obtain Exaktera's best offer; and
- the then-current financial market conditions and the recent and historical market prices of our Company Common Stock, including the market price

performance of our Company Common Stock relative to that of other industry participants.

Prospects in Remaining Independent. Our Board considered the possibility of continuing to operate the Company as an independent public company, including the perceived risks and uncertainties of remaining an independent public company. In considering the alternative of pursuing growth as an independent company, our Board considered the following factors:

- the fact that the Company would likely have difficulty raising additional financing (or raising additional financing on reasonable terms) and would thus have limited growth opportunities and limited resources to operate the business and invest in its infrastructure, and that any equity capital raised would likely be at a price below the Acquisition Price, thus likely substantially diluting the current equity; and
- the fact that the market for the Company's Shares has been highly illiquid and that, accordingly, it would be difficult for holders of the Shares seeking to liquidate their Shares to do so effectively, if at all.

Financial Forecasts. Our Board considered the financial forecasts provided by our management.

Company Conditions. Our Board considered the following factors with respect to the Company's ongoing business:

- the uncertainty related to the spread of the COVID-19 pandemic and the current and future potential consequences of such pandemic on the financial markets and the Company's current and future business operations, which have included or may include decreases and delays in supplier and vendor interactions and deliveries, disruptions in the operations of third-party manufacturers, suppliers and other third parties on whom the Company relies, the availability or cost of materials, which could damage the Company's supply chain or otherwise limit its ability to obtain sufficient materials to manufacture its products;
- the uncertainties related to Brexit and the economy generally; and
- although the Company experienced an improvement in its operations and financial condition in 2021, the Board's ultimately determination that the costs and burdens associated with remaining regulatorily compliant as a small publicly traded company were such that considering an acquisition was in the best interests of the Stockholders.

Terms of the Merger Agreement. Our Board considered the terms and conditions of the Merger Agreement and the course of negotiations thereof, including:

- the conditions to Exaktera's obligations to complete the Acquisition, including the ability of Exaktera to terminate the Merger Agreement under certain specified circumstances;
- the structure of the transaction as a merger, and the fact that the Merger Agreement requires approval by our Stockholders, which together would provide a period of time during which a Superior Proposal could be made;
- our ability, under certain circumstances, to furnish information to and conduct negotiations with third parties, if our Board determines in good faith that any such third party has made an Acquisition Proposal that is, or would reasonably be expected to lead to, a Superior Proposal;

- the ability of our Board, in connection with an Acquisition Proposal and under certain other circumstances, to change its recommendation that our Stockholders approve the Merger Agreement, if our Board determines in good faith, after consultation with its outside counsel and financial advisers, that (A) an Acquisition Proposal either constitutes a Superior Proposal or would reasonably be expected to result in a Superior Proposal, or (B) the failure to do so would be reasonably likely to cause the Board to be in breach of its fiduciary duties to our Stockholders;
- Stockholders who do not wish to accept the Acquisition Price and do not vote for the Merger Resolution will be entitled to demand appraisal of their shares of Company Common Stock under Delaware law; and
- that the Acquisition would only proceed if the resolution to adopt the Merger Agreement are adopted by a majority (greater than 50%) of the issued and outstanding shares of Company Common Stock entitled to vote thereon at the Special Meeting.

Risks of Announcement and Closing

Our Board considered:

- the risks and contingencies related to the announcement and pendency of the Acquisition;
- the conditions to Exaktera's obligation to complete the Acquisition and the right of Exaktera to terminate the Merger Agreement under certain specified circumstances;
- the risks of a delay in receiving, or a failure to receive, the necessary approvals and clearances necessary to complete the Acquisition;
- the potential risks of the Acquisition on the Company's relationships with its employees, vendors and partners and others that do business or may do business in the future with the Company, including management and certain other employees who will have expended considerable time and effort to consummate the Acquisition;
- the fact that the gain realized by the Company's Stockholders as a result of the Merger generally may be taxable to the Stockholders;
- advice from Lincoln International, its financial advisor; and
- the risks and costs to the Company if the Acquisition is not completed, including the diversion of management and the potential impact on our stock price.

Cash Transaction

Our Board considered that the Acquisition Price is all cash and, as a result, our Stockholders will forego any potential future increase in our value that might result from our possible growth, and that income realized as a result of the Acquisition will generally be taxable to our Stockholders.

No Financing Condition

Our Board considered that Exaktera's obligation to complete the Acquisition is not subject to a condition that it be able to obtain financing.

Interests of Directors and Officers

Our Board considered the interests that certain of our Directors and executive officers may have with respect to the Acquisition (including the compensation payable to our chief executive officer in connection with the Acquisition) in addition to their interests as Stockholders and option holders.

Company management and employees

Following the Acquisition, substantially all of the officers of the Company, including the CEO, are expected to continue their employment with the Company.

Related Party Transactions

As set out above, at a meeting held on 10 November 2021, the Governance, Nominations and Remuneration Committee of the Board of Directors approved a performance/success bonus of $300,000 payable to Tim Losik upon closing of the acquisition transaction (so long as he is employed by the Company as of the date of payment). There is no additional compensation being paid to Board members in connection with the transaction.

Current Trading

Recent trading has been in line with market expectations and there has been no recent significant change in the financial position of the Company.

Proxy Statement

ProPhotonix plans to send to its Stockholders a Proxy Statement in connection with the Acquisition and the Merger Agreement. The Proxy Statement will contain important information about the proposed merger and related matters. **STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT CAREFULLY WHEN IT BECOMES AVAILABLE AND PROMPTLY RESPOND AS PROVIDED IN SUCH DOCUMENT**. Such Proxy Statement will be mailed to all record holders of Company Common Stock as of the Record Date, and we expect that additional copies will be made available to nominee holders to share with their underlying beneficial holders. Stockholders will also be able to obtain free copies of the Proxy Statement (when it is available) and other documents notified by ProPhotonix in accordance with the AIM Rules for Companies through the website maintained by ProPhotonix at https://www.prophotonix.com/. In addition, Stockholders will be able to obtain copies of the Proxy Statement and the Merger Agreement from ProPhotonix by contacting the Company's Secretary: Thomas B Rosedale.

Process for Stockholders to Receive Acquisition Consideration

Subject to the Acquisition becoming effective, the settlement of the Acquisition Price will generally be effected by the despatch of cheques or by the crediting of CREST accounts, as applicable, in the following manner:

- in the case of Depository Interests held in CREST, the cash consideration to which the Depository Interest holder is entitled to be paid by means of CREST by Exaktera procuring the creation of an assured payment obligation in favour of such Depository Interest holder; and
- in the case of Company Common Stock held outside of CREST, the cash consideration to which a Stockholder is entitled will be made in U.S. Dollars.

All such payments will be made net of any withholding tax required to be deducted by the Paying Agent and will be remitted by the Paying Agent on behalf of Exaktera.

In the case of Company Common Stock held by U.S. Stockholders in certificated or book entry form, Stockholders may be required to provide a letter of instruction with respect to where and through which method Acquisition Consideration should be delivered.

Acquisition Consideration will be distributed to validated Stockholders as of the date of Closing within five business days of Closing. Stockholders requiring validation, Stockholders who are not holding Company Common Stock through a brokerage account and/or those Stockholders holding Company Common Stock without valid addresses of record shall receive the Acquisition Consideration upon submission of appropriate information supplied by the Paying Agent.

It should be noted that all documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto and none of the Company, Exaktera or any of their respective subsidiaries nor their nominees shall be responsible for any loss or delay in the transmission or delivery of documents and/or remittances sent in accordance with the above provisions.

Payments made by cheque shall be payable to the Stockholder concerned. Cheques will be despatched to the address appearing on the register of members of the Company (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register in respect of such holdings). The encashment of any such cheque as is referred to in this paragraph shall be a complete discharge for the monies represented thereby.

For the avoidance of doubt, stockholders who hold their stock through CREST do not need to take any further action if the Merger completes as their CREST accounts will be credited automatically within five Business Days of Closing.

Disclaimers

WH Ireland Limited, which is authorised and regulated in the UK by the Financial Conduct Authority is acting exclusively for ProPhotonix and no one else in connection with the matters set out in this announcement. In connection with such matters, WH Ireland Limited will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to clients of WH Ireland Limited or for providing advice in relation any matter referred to herein.

This announcement is for information purposes only and is not intended to, and does not constitute, or form part of any offer, invitation, inducement or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of or exercise rights in respect of any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise. Any vote, decision in respect of, or other response to, the Acquisition should be made only on the basis of the information contained in the Proxy Statement. Each Stockholder is urged to consult its independent professional advisers immediately regarding the tax consequences of the Acquisition applicable to them.

In accordance with normal practice in the United Kingdom, Exaktera or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Company Common Stock, other than pursuant to the Acquisition, until the date on which the Acquisition becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the United Kingdom, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com.

Stockholders Outside of the United Kingdom

The implications of the Acquisition for Stockholders Outside of the United Kingdom may be affected by the laws of the relevant jurisdictions. Such Stockholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each such Stockholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any person (including without limitation, nominees, trustees and custodians) who would, or otherwise intends to, forward this announcement, the Proxy Statement or any accompanying document to any jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

If any such Stockholder remains in any doubt, it should consult an appropriate independent professional adviser in its relevant jurisdiction without delay. In particular, the ability of persons who are not resident in the United Kingdom to vote their Company Common Stocks at the Stockholders Meeting or to execute and deliver a Form of Proxy appointing another to vote their Company Common Stocks in respect of the Stockholders Meeting on their behalf, may be affected by the laws of the relevant jurisdiction in which they are located.

Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person. Such Stockholders should consult their own legal and tax advisers with regard to the legal and tax consequences of the Acquisition on their particular circumstances.

Forward Looking Statements

This announcement contains statements that are or may be forward-looking statements. All statements other than statements of historical facts included in this announcement may be forward-looking statements, including statements that relate to Company, Exaktera and/or their respective subsidiaries' future prospects, developments and strategies prior to and after the consummation of the Acquisition.

Forward-looking statements may be identified by their use of terms and phrases such as "believe", "targets", "expects", "aim", "anticipate", "projects", "would", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Company's and Exaktera's operations and potential synergies resulting from the Acquisition; and (iii) the effects of government regulation on Company's and Exaktera's business. The forward-looking statements in this announcement are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of Company, Exaktera and/or their respective subsidiaries and the environment in which each will operate in the future prior to and after the consummation of the Acquisition and readers are cautioned not to place undue reliance on such forward-looking statements. All subsequent oral or written forward-looking statements attributed to Company, Exaktera and/or their respective subsidiaries or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward-looking statement speaks only as at the date of this announcement. Except as required by applicable law or regulatory requirement (including the AIM Rules), neither Company

nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

No Revenue or Profit Forecasts or Estimates

No statement in this announcement is intended as a revenue or profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings/loss or earnings/loss per share for ProPhotonix or Exaktera, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings/loss or earnings/loss per share for ProPhotonix or Exaktera, as appropriate.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Exchange Rates

The Acquisition Price is fixed in USD and the risk of fluctuations of equivalent currencies at closing will be borne by Stockholders.

APPENDIX

DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires:

"**£**" or "**sterling**"	Pounds Sterling, the lawful currency of the United Kingdom and reference to "pence" and "p" shall be construed accordingly;
"**$**" or "**USD**"	US dollars, the lawful currency of the United States of America and reference to "cents" shall be construed accordingly;
"**€**"	Euro, the lawful currency of the European union;
"**Acquisition Price**"	$0.117 in cash per share;
"**Acquisition Proposal**"	any inquiry, proposal, or offer from, or indication of interest in making a proposal or offer by, any Person or group (other than Exaktera and its Subsidiaries, including PPL Merger Sub Inc.), relating to any transaction or series of related transactions (other than the transactions contemplated by the Merger Agreement), involving any: (a) direct or

	indirect acquisition of assets of the Company or its Subsidiaries (including any voting equity interests of Subsidiaries, but excluding sales of assets in the ordinary course of business) equal to 15% or more of the fair market value of the Company's and its Subsidiaries' consolidated assets or to which 15% or more of the Company's and its Subsidiaries' net revenues or net income on a consolidated basis are attributable; (b) direct or indirect acquisition of 15% or more of the voting equity interests of the Company or any of its Subsidiaries whose business constitutes 15% or more of the consolidated net revenues, net income, or assets of the Company and its Subsidiaries, taken as a whole; (c) tender offer or exchange offer that if consummated would result in any Person or group (as defined in Section 13(d) of the Exchange Act) beneficially owning (within the meaning of Section 13(d) of the Exchange Act) 15% or more of the voting power of the Company; (d) merger, consolidation, other business combination, or similar transaction involving the Company or any of its Subsidiaries, pursuant to which such Person or group (as defined in Section 13(d) of the Exchange Act) would own 15% or more of the consolidated net revenues, net income, or assets of the Company, and its Subsidiaries, taken as a whole; (e) liquidation, dissolution (or the adoption of a plan of liquidation or dissolution), or recapitalization or other significant corporate reorganization of the Company or one or more of its Subsidiaries which, individually or in the aggregate, generate or constitute 15% or more of the consolidated net revenues, net income, or assets of the Company and its Subsidiaries, taken as a whole; or (f) any combination of the foregoing.
"**Acquisition**" or "**Merger**"	the recommended acquisition of the Company by the Exaktera at the Acquisition Price in cash through the merger of PPL Merger Sub Inc. with and into the Company pursuant to the laws of the State of Delaware and the terms of the Merger Agreement, with the Company being the surviving corporation;
"Affiliate"	when used with respect to any party, shall mean any Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by, or is under common Control with, the Person specified;
"**AIM Rules**"	the AIM Rules for Companies as published by the London Stock Exchange from time to time;

"**AIM**"	AIM, the market of that name operated and regulated by the London Stock Exchange;
"Alternative Acquisition Agreement"	any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other agreement (other than a confidentiality agreement referred to in Section 6.2(b) of the Merger Agreement entered into in compliance with Section 6.2(b) of the Merger Agreement) relating to any Acquisition Proposal;
"**Board**" or **"Company Board"**	the Board of Directors of the Company;
"**Business Day**"	any day ending at 11:59 p.m. (New York time) other than a Saturday or Sunday or a day on which banks in the City of New York or London or the Department of State of the State of Delaware is required or authorized by Law to close;
"**Change in Recommendation**"	if the Board or any committee thereof: (i) withholds, withdraws, qualifies or modifies (or publicly proposes or resolves to withhold, withdraw, qualify or modify) the Company Recommendation with respect to the Merger in a manner adverse to Exaktera; (ii) approves or recommends, or publicly declares advisable or publicly proposes to enter into, any Alternative Acquisition Agreement; (iii) fails to recommend against acceptance of any tender offer or exchange offer for the shares of Company Common Stock within ten (10) Business Days after commencement of such offer, (iv) at any time following receipt of an Acquisition Proposal, fails to reaffirm its recommendation of the Merger Agreement and the Merger as promptly as practicable (but in any event within five Business Days) after receipt of any written request to do so from Exaktera; (v) makes any public statement inconsistent with the Company Recommendation; or (vi) resolves or agrees to take any of the foregoing actions;
"Chosen Courts"	the United States District Court for the District of Delaware and any appellate court from any thereof;
"Closing Date"	unless otherwise mutually agreed in writing between the Company and Exaktera, the fifth Business Day following the day on which the last to be satisfied or waived of the Conditions (other than any Conditions that by their nature are to be satisfied at closing) have been satisfied or waived;
"**Code**"	Internal Revenue Code of 1986, as amended;

"**Company Common Stock**"	The Company's common stock, par value $0.001 per share;
"**Company Recommendation**"	the Board unanimously determining that the Merger is fair to, and in the best interests of, the Company and its Stockholders, approving and declaring advisable the Merger Agreement and the Merger and the other transactions contemplated by the Merger Agreement and resolving to recommend approval of the Merger Agreement to the holders of shares of Company Common Stock and the delisting from AIM;
"**Company**"	ProPhotonix Limited, a Delaware corporation;
"**Conditions**"	the conditions to the Acquisition set out in the Merger Agreement and summarised in Part 1 of the Proxy Statement;
"Contract"	any oral or written agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation;
"Control"	the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise;
"**CREST**"	a relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations);
"D&O Insurance"	means directors' and officers' liability insurance and fiduciary liability insurance;
"Delisting"	the cancellation of the admission of the Company Common Stock to trading on AIM;
"Delisting Approval"	the affirmative vote in favour of the Delisting Resolution by at least 75% of the votes cast at the meeting;
"Delisting Resolution"	the resolution to be proposed at the Special Meeting to approve the Delisting;
"Depository"	Computershare Investor Services PLC
"**Common Stock**" or "**DI**"	interests which represent Company Common Stock (which are held by Computershare Investor Services PLC in exchange for the issue of a dematerialised depository interest representing Company Common Stock and which are held on trust for the holders of such interests) and are tradable through CREST;
"**DGCL**"	General Corporation Law of the State of Delaware;
"**DI holders**"	holders of Company Common Stock;

"**Director**" or "**Company Director**"	a director of the Company;
"**Effective Date**"	the date on which the Acquisition becomes effective in accordance with its terms;
"Effective Time"	the time when the Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware or at such later time as may be agreed by the parties in writing and specified in the Certificate of Merger;
"**Excluded Shares**"	(i) shares of Company Common Stock owned by Exaktera, PPL Merger Sub Inc. or any other direct or indirect wholly owned Subsidiary of Exaktera, (ii) shares owned by the Company or any direct or indirect wholly owned Subsidiary of the Company, in each case not held in behalf of third parties, and (iii) shares owned by Stockholders who have properly demanded and not withdrawn a demand for, and not lost their right to, an appraisal pursuant to Section 262 of the DGCL;
"**FCA**" or "**Financial Conduct Authority**"	the UK Financial Conduct Authority;
"**Form of Declarations**"	the form of declarations relating the ultimate beneficial ownership of Company Common Stock, a copy of which is available on the Company's website at https://www.prophotonix.com/;
"**Form of Direction**"	the form of direction for use at the Special Meeting, which accompanies the Proxy Statement;
"**Form of Proxy**"	the form of proxy for use at the Special Meetings, which accompanies the Proxy Statement;
"**FSMA**" or "**Financial Services and Markets Act"**	the Financial Services and Markets Act 2000 (as amended);
"Governmental Consents"	all authorizations, consents, orders or approvals of, or declarations, notices or filings with, or expirations of waiting periods imposed by, any Governmental Entity in connection with the Merger and the consummation of the other transactions contemplated by the Merger Agreement by the Company, Exaktera and PPL Merger Sub Inc. (except for a Certificate of Merger);
"**Governmental Entity**"	any domestic, foreign or transnational governmental, quasi-governmental, regulatory or self-regulatory authority, agency, commission, body, department or instrumentality or any court, tribunal or arbitrator or other entity or subdivision thereof or other legislative, executive or judicial entity of any nature and any corporate entity, instrumentality or subdivision of any government, military or international

	organization, including any state-owned or affiliated company or hospital and any non-governmental body that has been authorized by Law to act for a governmental body;
"**IRS**"	the US Internal Revenue Services;
"**Nutter**"	Nutter, McClennen & Fish, LLP, legal advisers to the Company;
"Law"	means any federal, state, local, foreign, international or transnational law, statute, ordinance, common law, rule, regulation, standard, judgment, determination, order, writ, injunction, decree, arbitration award, treaty, agency requirement, authorization, license or permit of any Governmental Entity;
"**London Stock Exchange**"	London Stock Exchange Group plc, a public limited company incorporated in England and Wales;
"**Material Adverse Effect**"	any change, event, occurrence or effect that, individually or taken together with any other changes, events, occurrences or effects is, or would reasonably be expected to be, materially adverse to (A) the financial condition, properties, assets, liabilities, business, or results of operations of the Company and its Subsidiaries, taken as a whole or (B) the ability of the Company to timely perform its obligations hereunder or consummate the transactions contemplated hereby on a timely basis; provided, however, that none of the following shall be deemed to constitute a Material Adverse Effect: (A) changes in the economy, credit, capital, securities or financial markets in the United States or in any jurisdiction in which the Company or any of its Subsidiaries operates (including Brexit and any governmental response thereto); (B) changes that are the result of factors generally affecting the LED systems, laser modules or laser diode industries, including disruption in the global supply chain; (C) changes in United States generally accepted accounting principles ("**GAAP**") or in any Law unrelated to the Merger and of general applicability after the date of the Merger Agreement; (D) any failure by the Company to meet any internal or public projections or forecasts or estimates of revenues or earnings for any period ending prior to the Closing; provided that the exception in this clause (D) shall not prevent or otherwise affect a determination that any change, event, occurrence or effect underlying such failure (if not otherwise excluded under this definition) has resulted in, or contributed to, a Material Adverse Effect;

	(E) any change, event, occurrence or effect resulting from acts of war (whether or not declared), civil disobedience or insurrection, hostilities, sabotage, terrorism, military actions or the escalation of any of the foregoing, any hurricane, flood, tornado, earthquake or other weather or natural disaster, any outbreak of illness or other public health event (including the COVID-19 pandemic and any governmental or public health response thereto) or any other force majeure event, whether or not caused by any Person, or any national or international calamity or crisis; (F) a decline in the market price, or change in trading volume, of the shares of Company Common Stock on AIM; provided that the exception in this clause (F) shall not prevent or otherwise affect a determination that any change, event, occurrence or effect underlying such decline (if not otherwise excluded under this definition) has resulted in, or contributed to, a Material Adverse Effect; and (G) (i) the negotiation, execution, announcement, pendency or performance of the Merger Agreement or the consummation or pendency of the Transactions (other than for purposes of any representation or warranty contained in Section 4.4 of the Merger Agreement) or (ii) any action taken by the Company or its Subsidiaries that is required by the Merger Agreement or with Exaktera's written consent or at Exaktera's written request, or the failure to take any action by the Company or its Subsidiaries if that action is prohibited by the Merger Agreement to the extent Exaktera fails to give its consent thereto after a written request therefor pursuant to Section 6.1 of the Merger Agreement; provided, further that, any change, event, occurrence or effect referred to in clauses (A), (B), (C) and (E) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur if it (1) primarily relates to (or has the effect of primarily relating to) the Company and its Subsidiaries or (2) disproportionately adversely affects the Company and its Subsidiaries compared to other participants in the industries in which the Company or its Subsidiaries conduct their business (in which case, only the incremental disproportionate adverse effect may be taken into account in determining whether a Material Adverse Effect has occurred);
"**Merger Agreement**"	the Agreement and Plan of Merger, dated 10 November 2021, by and among the Company,

	Exaktera, and PPL Merger Sub Inc., as described in Part 1;
"Merger Approval"	the affirmative vote in favour of the Merger Resolution of a majority (greater than 50%) of the issued and outstanding shares of Company Common Stock entitled to vote thereon at the Special Meeting;
"Merger Resolution"	the resolution to be proposed at the Special Meeting to approve the Acquisition and the Merger Agreement;
"**NDA**"	any Non-Disclosure Agreement;
"**Non-US Holder**"	any beneficial owner of Company Common Stock that is not a US Holder;
"**Notice of Special Meeting**"	the Notice of Special Meeting set out at the end of the Proxy Statement;
"Official List"	the Official List is the definitive record of whether a company's securities are officially listed in the UK;
"Order"	any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Merger or the other transactions contemplated by the Merger Agreement;
"**Outside Date**"	5:00 p.m., New York time on 11 February 2022;
"**Overseas Stockholders**"	Stockholders (or nominees, custodians or trustees of Stockholders) who are resident in, or nationals or citizens of jurisdictions outside of the United States or who are citizens or residents of countries other than the United States;
"Paying Agent"	Computershare Limited;
"**Person**" or "**Persons**"	any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature;
"**Potential Transaction**"	any potential transaction with the Company;
"**Prospectus Rules**"	the prospectus rules of the Financial Conduct Authority made under Part VI of FSMA;
"**Proxy Statement**"	the document to be sent to Stockholders in connection with seeking the approval of the Merger Agreement, containing and setting out the terms of the Acquisition and the notice convening the Special Meeting;
"**Record Date**"	close of trading on AIM on 11 November 2021, the time and date set by the Board as the record time and date for determining the

	Stockholders entitled to notice of and to vote at the Special Meeting;
"**Regulations**"	the Uncertificated Securities Regulations 2001 (SI2001 No. 3755), as amended from time to time;
"**Regulatory Information Service**"	a service approved by the London Stock Exchange for the distribution to the public of announcements and included on the list maintained on the London Stock Exchange's website;
"**Resolutions**"	the Delisting Resolution and the Merger Resolution;
"**Special Meeting**"	the Special Meeting of the Stockholders to be held at 11:30 a.m. Eastern Time (U.S.) on 15 December 2021 at the offices of Nutter, McClennen & Fish, LLP, 155 Seaport Boulevard, Boston, Massachusetts, 02210, United States;
"**Stockholder**"	a holder of shares of Company Common Stock;
"**Stockholder Approval**"	the Delisting Approval and the Merger Approval, collectively;
"Subsidiary"	means, with respect to any Person, any other Person of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such Person and/or by one or more of its Subsidiaries;
"**Superior Proposal**"	a bona fide written Takeover Proposal (except that, for purposes of this definition, each reference in the definition of "Takeover Proposal" to "15% or more" shall be "more than 50%") that the Company Board determines in good faith (after consultation with outside legal counsel and the Company financial advisor) is more favorable from a financial point of view to the holders of Company Common Stock than the transactions contemplated by the Merger Agreement, taking into account: (a) all financial considerations; (b) the identity of the third party making such Takeover Proposal; (c) the anticipated timing, conditions (including any financing condition or the reliability of any debt or equity funding commitments) and prospects for completion of such Takeover Proposal; (d) the other terms and conditions of such Takeover Proposal and the implications thereof on the Company, including relevant legal, regulatory, and other aspects of such

	Takeover Proposal deemed relevant by the Company Board (including any conditions relating to financing, stockholder approval, regulatory approvals, or other events or circumstances beyond the control of the party invoking the condition); and (e) any revisions to the terms of the Agreement and the Merger proposed by Exaktera during the Superior Proposal Notice Period set forth in Section 6.4(d) of the Merger Agreement;
"**Surviving Corporation**"	the Company, as the surviving corporation in the Merger;
"**Takeover Code**"	the UK City Code on Takeovers and Mergers;
"Tax"	all federal, state, local and foreign income, windfall or other profits, franchise, net income, gross receipts, environmental, customs duty, capital stock, severances, stamp, transfer, payroll, sales, employment, unemployment, disability, use, property, withholding, excise (including medical device excise taxes), production, value added, escheat, unclaimed property, occupancy and other taxes, duties or assessments in the nature of a tax, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions;
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
"**US Holder**"	a beneficial owner of Company Common Stock that is for US federal income tax purposes: (a) an individual citizen or resident of the United States, (b) a corporation or entity treated as a corporation for US federal income tax purposes, in each case organized in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to US federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision of the trust's administration and one or more United States persons have the authority to control all substantial decisions of the trust or if the trust has validly elected under US Treasury regulations to be treated as a United States person;

"**WH Ireland Limited**"	WH Ireland Limited, the nominated adviser and broker to the Company for the purposes of the AIM Rules.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this announcement

All the times referred to in the Proxy Statement are Eastern Times of the United States unless otherwise stated.

References to the singular include the plural and vice versa.

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