



19 January 2012

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

Pre-close trading update for the year ended 31 December 2011

New Product Launch

ProPhotonix Limited, (London Stock Exchange - AIM: PPIX and PPIR, OTC: STKR.PK), a designer and manufacturer of LED light engines and laser diode modules as well as a distributor of premium laser diodes, today provides a pre-close update in respect of the year ended 31 December 2011.

The Company's revenues and loss before tax are in line with market expectations for the full year in spite of mixed trading in the last quarter of 2011, where the Company experienced a slowdown in orders and shipments for certain of its product lines. In the first half of the year the Company's LED division benefited from particularly strong shipments to the German solar panel production equipment industry, which dropped off significantly later in the year. Management is not expecting a recovery in orders in this segment until H2 2012 due to the global overcapacity in the solar panel market. Subject to finalisation of the annual audit and any potential changes thereafter, revenue for the financial year ended 31 December 2011 is expected to be approximately \$17 million and EBITDA is expected to be neutral. The Company ended the year with a strong cash position of approximately \$4.1 million.

Outlook

The Board is focused on 2012 being a year of further diversification of customers and product lines. The Company will continue to invest to broaden its LED and laser module portfolio and to strengthen its sales capabilities in order to broaden its customer base and grow its overall business. The investments made during H2 2011 in the sales force, R&D, engineering capacity and the development of new distribution channels in Asia are expected to generate further momentum in the business during 2012. In the last quarter of 2011, the Company doubled the size of its US sales force, including a new country sales manager, and it is in the process of strengthening its European sales force. In addition, the R&D team was nearly doubled in 2011 to capitalize on several substantial opportunities and further customer led product-line development. The Company has made significant progress on a number of important new revenue opportunities in the areas of medical, automotive, and semiconductor inspection. Several of these opportunities bode well for a significant increase in revenue in the second half of the current year and into 2013.

It is expected that the audited results for the year ended 31 December 2011 will be reported on March 1, 2012.

New Product Launch:

The Company is pleased to announce that it has extended its machine vision solutions with InViso™ Micro, an extension to its highly successful InViso laser diode module product line.

Machine Vision systems enable the inspection of products throughout the manufacturing process and allow manufacturers to ensure that their products conform to the exact specifications to which they were initially designed.

InViso combines a flat form factor with a “no tools required” external focus to produce an extremely uniform laser line. Its unique form factor provides instant alignment and expedites integration while ensuring a high-degree of repeatability. InViso Micro incorporates all the existing InViso features while delivering fine line widths down to 16 µm at 120 mm working distance. Both InViso models are available in a range of wavelengths and power levels up to 100mW. InViso and InViso Micro were designed and developed at the Company’s R&D center in Cork, Ireland.

Commenting on the InViso Micro launch, Mark W. Blodgett, Chairman and CEO of ProPhotonix, said: “InViso Micro was a direct result of our close working relationship with our customers. They are facing new and stringent requirements for their applications and we are giving them energy efficient technology solutions they need to gain better performance, easier integration, and more flexibility.”

“We are committed to maintaining and broadening our reputation as innovative solution providers in the machine vision industry. InViso Micro is a step in that direction and will allow us to expand sales to the automated inspection market.”

The Company will showcase InViso Micro in Booth 1201 at Photonics West in San Francisco, January 24 – January 26 2012.

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About ProPhotonix

ProPhotonix Limited, headquartered in Salem, New Hampshire, is an independent designer and manufacturer of diode-based laser modules and LED systems for industry leading OEMs and medical equipment companies. In addition, the Company distributes premium diodes for Opnext, QSI, Ondax, Sanyo and Sony. The Company serves a wide range of markets including the machine vision, industrial inspection,

defense, sensors, and medical markets. ProPhotonix has offices and subsidiaries in the U.S., Ireland, and the United Kingdom. For more information about ProPhotonix and its innovative products, visit the Company's web site at www.prophotonix.com.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation, those with respect to ProPhotonix's goals, plans and strategies set forth herein are forward-looking statements. The following important factors and uncertainties, among others, could cause actual results to differ materially from those described in these forward-looking statements: uncertainty that cash balances may not be sufficient to allow ProPhotonix to meet all of its business goals; uncertainty that ProPhotonix's new products will gain market acceptance; the risk that delays and unanticipated expenses in developing new products could delay the commercial release of those products and affect revenue estimates; the risk that one of our competitors could develop and bring to market a technology that is superior to those products that we are currently developing; and ProPhotonix's ability to capitalize on its significant research and development efforts by successfully marketing those products that the Company develops. Forward-looking statements represent management's current expectations and are inherently uncertain. All Company, brand, and product names are trademarks or registered trademarks of their respective holders. ProPhotonix undertakes no duty to update any of these forward-looking statements.