



SPECTRAL ANNOUNCES FIRST QUARTER, 2014 RESULTS

TORONTO, Canada – May 15, 2014 – Spectral Diagnostics Inc., (TSX:SDI) (OTCQX: DIAGF), a Phase III company developing the first theranostic treatment for patients with severe sepsis and septic shock, today announced its unaudited financial results for the first quarter ended March 31, 2014.

First Quarter Highlights:

- Continued to enroll patients into the Company's Phase III EUPHRATES trial. As of May 14, 2014, 275 patients have been randomized into the study.
- On February 20, 2014, the Company extended the expiry date of its \$0.60 warrants from March 2, 2014 to September 2, 2014. Shareholders approved the extension at the Company's Annual and Special meeting held on May 5, 2014.
- Subsequent to quarter end, on April 14, 2014, the Company announced that the Data Safety Monitoring Board (DSMB) for the EUPHRATES trial completed its review of the detailed analysis it had previously requested. Based on the current recommendations of the DSMB, the trial's sample size has been recalculated and increased from 360 to 650 patients. This increase in the number of enrolled patients enhances the likelihood of demonstrating, with sufficient power, a statistically and clinically significant effect. The revised sample size falls within the statistical plan already agreed to by the United States Food and Drug Administration (FDA). Spectral has submitted a protocol amendment to the FDA, as recommended by the DSMB, for an additional exclusion criterion.
- On May 6, 2014, the Company announced that shareholders approved a name change to "Spectral Medical Inc." that will take effect at a future date to be determined by Spectral's Board of Directors.

Financial Review

Revenue for the three months ended March 31, 2014 was \$844,000 compared to \$708,000 for the same period in the preceding year. The \$136,000 increase is attributable primarily to the timing of orders under existing distribution agreements. Revenue levels in 2014 are expected to be consistent with those achieved in 2013.

For the three months ended March 31, 2014, the Company reported a loss of \$3,175,000 (\$0.02 per share) compared to a loss of \$2,077,000 (\$0.02 per share) for the three months ended March 31, 2013. The increase in the loss is due primarily to costs resulting from higher patient enrolment in the EUPHRATES trial in 2014 compared to the same quarter last year and certain related corporate initiatives.

The Company concluded the first quarter of 2014 year with cash and cash equivalents of \$3,730,000 compared to \$7,229,000 cash and cash equivalents on hand as of December 31, 2013. The Company expects to raise additional capital to fund its operations and anticipates that a financing should be completed in the third quarter of this year.

The total number of shares outstanding for the Company was 134,462,607 as at March 31, 2014.

About Spectral Diagnostics

Spectral is a Phase III company seeking U.S. FDA approval for its lead theranostics product for the treatment of severe sepsis with septic shock. PMX is a therapeutic hemoperfusion device that removes endotoxin, which can cause sepsis, from the bloodstream. Directed by the Company's Endotoxin Activity Assay (EAA™), the only FDA cleared diagnostic for the risk of developing sepsis. Spectral's EUPHRATES trial is the world's only active and most innovative Phase III study in the area of septic shock.

PMX has been approved for therapeutic use in Japan and Europe, and has been used safely and effectively on more than 100,000 patients to date. In March 2009, Spectral obtained the exclusive development and

commercial rights in the U.S. for PMX, and in November 2010, signed an exclusive distribution agreement for this product in Canada. Approximately 350,000 patients are diagnosed with severe sepsis and septic shock in North America each year, representing a greater than \$1 billion market opportunity for Spectral. Spectral is listed on the Toronto Stock Exchange under the symbol SDI, and on the OTCQX under the symbol DIAGF. For more information please visit www.spectraldx.com

Forward-looking statement

Information in this news release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws. Implicit in this information, particularly in respect of the future outlook of Spectral and anticipated events or results, are assumptions based on beliefs of Spectral's senior management as well as information currently available to it. While these assumptions were considered reasonable by Spectral at the time of preparation, they may prove to be incorrect. Readers are cautioned that actual results are subject to a number of risks and uncertainties, including the availability of funds and resources to pursue R&D projects, the successful and timely completion of clinical studies, the ability of Spectral to take advantage of business opportunities in the biomedical industry, the granting of necessary approvals by regulatory authorities as well as general economic, market and business conditions, and could differ materially from what is currently expected.

The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this statement.

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Spectral Diagnostics Inc.

Condensed Interim Statement of Financial Position

(in thousands of Canadian dollars)

	March 31 2014 \$	December 31 2013 \$
	Unaudited	Audited
Assets		
Current assets		
Cash and cash equivalents	3,730	7,229
Trade and other receivables	673	569
Inventories	189	315
Prepayments	343	289
	4,935	8,402
Non-current assets		
Property, plant and equipment	571	627
Intangible asset	403	409
	974	1,036
Total assets	5,909	9,438
Liabilities		
Current liabilities		
Trade and other payables	3,103	3,636
Deferred revenue	80	106
Total liabilities	3,183	3,742
Equity		
Share capital	33,957	33,957
Contributed surplus	3,864	3,864
Other equity reserves	8,038	7,833
Deficit	(43,133)	(39,958)
Total equity	2,726	5,696
Total liabilities and equity	5,909	9,438

Spectral Diagnostics Inc.

Condensed Interim Statement of Loss and Comprehensive Loss
For the three months ended March 31, 2014 and 2013
(Unaudited)

(in thousands of Canadian dollars, except for share and per share data)

	2014 \$	2013 \$
Revenue	844	708
Other income	14	5
Expenses		
Changes in inventories of finished goods and work-in-process	173	83
Raw materials and consumables used	77	111
Employee benefits	1,034	740
Consulting and professional fees	2,287	1,304
Management services	-	100
Regulatory and investor relations	76	48
Travel and entertainment	179	219
Depreciation and amortization	64	55
Foreign exchange loss	27	9
Other expenses	116	138
	4,033	2,807
Operating loss	(3,175)	(2,094)
Finance income	-	17
Loss and comprehensive loss for the year	(3,175)	(2,077)
Basic and diluted loss per common share	(0.02)	(0.02)
Weighted average number of common shares outstanding	134,462,580	113,883,394

Spectral Diagnostics Inc.

Condensed Interim Statement of Changes in Equity
For the three months ended March 31, 2014 and 2013
(Unaudited)

(in thousands of Canadian dollars, except for number of shares)

	Issued capital Number	\$	Contributed surplus \$	Share-based compensation \$	Warrants \$	Deficit \$	Total Equity \$
Balance, January 1, 2013	113,883,394	27,101	3,864	3,117	5,143	(28,651)	10,574
Loss and comprehensive loss for the period	-	-	-	-	-	(2,077)	(2,077)
Share-based compensation	-	-	-	77	-	-	77
Balance, March 31, 2013	113,883,394	27,101	3,864	3,194	5,143	(30,728)	8,574
Balance, January 1, 2014	134,462,561	33,957	3,864	3,239	4,594	(39,958)	5,696
Warrants exercised	46	-	-	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(3,175)	(3,175)
Share-based compensation	-	-	-	205	-	-	205
Balance, March 31, 2014	134,462,607	33,957	3,864	3,444	4,594	(43,133)	2,726

Spectral Diagnostics Inc.

Condensed Interim Statement of Cash Flows
For the three months ended March 31, 2014 and 2013
(Unaudited)

(in thousands of Canadian dollars)

	2014 \$	2013 \$
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss for the year	(3,175)	(2,077)
Adjustments for:		
Depreciation on property, plant, and equipment	58	48
Amortization of intangible asset	6	6
Share-based compensation	205	77
Changes in items of working capital :		
Trade and other receivables	(104)	(83)
Inventories	126	(141)
Prepayments	(54)	(421)
Trade and other payables	(533)	(241)
Deferred revenue	(26)	(25)
Net cash used in operating activities	(3,497)	(2,857)
Investing activities		
Property, plant and equipment expenditures	(2)	(129)
Redemption of short-term investment	-	5,137
Purchase of short-term investment	-	(5,173)
Net cash used in investing activities	(2)	(165)
Decrease in cash and cash equivalents	(3,499)	(3,022)
Cash and cash equivalents, beginning of period	7,229	5,425
Cash and cash equivalents, end of period	3,730	2,403