



SPECTRAL ANNOUNCES SECOND QUARTER, 2014 RESULTS

TORONTO, Canada – August 13, 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 second quarter ended June 30, 2014.

Second Quarter Highlights (in thousands of Canadian dollars, except for share and per share data):

- Continued to enroll patients into the Company's Phase III EUPHRATES trial. As of August 12, 2014, 297 patients had been randomized into the study.
- The Company announced, on April 14, 2014, 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 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). In addition, a protocol amendment, as recommended by the DSMB, for an additional exclusion criterion was submitted to and approved by the FDA in the quarter.
- In May, shareholders approved a name change of the Company to "Spectral Medical Inc. " that will take effect at a future date to be determined by Spectral's Board of Directors.
- On June 11, 2014 the Company announced a non-brokered private placement of up to \$18,200 in two tranches at market. Subsequent to the quarter end, the Tranche "A" component of the financing, in the amount of \$13,200, was closed. The Tranche "B" component of up to \$ 5,000 is subject to the exercise by the Company of a Call Right and would close, if exercised, in April 2015.

"During the quarter we were able to obtain clarity for our clinical development pathway and arrange additional funding of up to \$18,200 for the EUPHRATES trial. The helpful recommendations of the Data Safety Monitoring Board, including the sample size recalculation, resulting from the second interim analysis should enhance the likelihood of achieving a statistically significant outcome", stated Dr. Paul Walker, President and CEO of Spectral.

Financial Review

Revenue for the three months ended June 30, 2014 was \$778 compared to \$572 for the same period in the preceding year. For the six months ended June 30, 2014 revenues were \$1,622 compared to \$1,280 in the first half of 2013, Revenues were positively affected by the timing of certain customer orders and by the foreign exchange impact of a strengthening U.S. dollar.

For the three months ended June 30, 2014, the Company reported a loss of \$2,451 (\$0.02 per share) compared to a loss of \$3,040 (\$0.02 per share) for the three months ended June 30, 2013. The loss for the six months ended June 30, 2014 was \$5,626 (\$0.04 per share) compared to \$5,142 (\$0.04 per share) for the same six month period in the prior year.

The Company concluded the second quarter of the 2014 fiscal year with cash and cash equivalents of \$1,441 compared to \$7,229 cash and cash equivalents on hand as of December 31, 2013. Subsequent to the quarter end, on July 25, 2014, the Company closed the Tranche "A" component (\$13.2 million) of its announced private placement of up to \$18.2 million. .

The total number of shares outstanding for the Company was 134,462,747 as at June 30, 2014. The total number of shares outstanding after closing of the Tranche 'A" component of its financing is 179,513,933.

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 \$2 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)

	June 30 2014 \$	December 31 2013 \$
	Unaudited	Audited
Assets		
Current assets		
Cash and cash equivalents	1,441	7,229
Trade and other receivables	647	569
Inventories	182	315
Prepayments	449	289
	2,719	8,402
Non-current assets		
Property, plant and equipment	530	627
Intangible asset	397	409
	927	1,036
Total assets	3,646	9,438
Liabilities		
Current liabilities		
Trade and other payables	3,236	3,636
Deferred revenue	83	106
Total liabilities	3,319	3,742
Equity		
Share capital	33,957	33,957
Contributed surplus	3,864	3,864
Other equity reserves	8,090	7,833
Deficit	(45,584)	(39,958)
Total equity	327	5,696
Total liabilities and equity	3,646	9,438

Spectral Diagnostics Inc.

Condensed Interim Statement of Loss and Comprehensive Loss
For the six months ended June, 2014 and 2013
(Unaudited)

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenue	778	572	1,622	1,280
Other income	-	14	14	19
Expenses				
Changes in inventories of finished goods and work- in-process	27	38	200	121
Raw materials and consumables used	134	170	211	281
Employee benefits	835	714	1,869	1,454
Consulting and professional fees	1,603	1,874	3,890	3,178
Management services	-	175	-	275
Regulatory and investor relations	58	58	134	131
Travel and entertainment	385	451	564	670
Depreciation and amortization	59	59	123	114
Foreign exchange (gain)loss	20	(9)	47	-
Other expenses	108	112	224	250
	3,229	3,642	7,262	6,474
Operating loss	(2,451)	(3,056)	(5,626)	(5,175)
Finance income	-	16	-	33
Loss and comprehensive loss for the period	(2,451)	(3,040)	(5,626)	(5,142)
Basic and diluted loss per common share	(0.02)	(0.02)	(0.04)	(0.04)
Weighted average number of common shares outstanding	134,462,639	132,139,805	134,462,611	123,062,031

Spectral Diagnostics Inc.

Condensed Interim Statement of Changes in Equity (Unaudited)

(in thousands of Canadian dollars, except 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
Private placement	18,666,667	5,480	-	-	-	-	5,480
Loss and comprehensive loss for the period	-	-	-	-	-	(5,142)	(5,142)
Share-based compensation	-	-	-	106	-	-	106
Balance, June 30, 2013	132,550,061	32,581	3,864	3,223	5,143	(33,793)	11,018
Balance, January 1, 2014	134,462,561	33,957	3,864	3,239	4,594	(39,958)	5,696
Warrants exercised	186	-	-	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(5,626)	(5,626)
Share-based compensation	-	-	-	257	-	-	257
Balance, June 30, 2014	134,462,747	33,957	3,864	3,496	4,594	(45,584)	327

Spectral Diagnostics Inc.

Condensed Interim Statement of Cash Flows
For the six months ended June 30, 2014 and 2013
(Unaudited)

	Six months ended	
	June 30 2014 \$	June 30 2013 \$
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period	(5,626)	(5,142)
Adjustments for:		
Depreciation on property, plant, and equipment	111	102
Amortization of intangible assets	12	12
Share-based compensation	257	106
Changes in items of working capital :		
Trade and other receivables	(78)	27
Inventories	133	(141)
Prepayments	(160)	(85)
Trade and other payables	(400)	12
Deferred revenue	(23)	(49)
Net cash used in operating activities	(5,774)	(5,158)
Investing activities		
Property, plant and equipment expenditures	(14)	(236)
Redemption of short-term investment	-	5,137
Purchase of short-term investment	-	(5,189)
Net cash used in investing activities	(14)	(288)
Financing activities		
Private placement	-	5,480
Net cash provided by financing activities	-	5,480
Increase(decrease) in cash and cash equivalents	(5,788)	34
Cash and cash equivalents, beginning of period	7,229	5,425
Cash and cash equivalents, end of period	1,441	5,459