



SPECTRAL ANNOUNCES FIRST QUARTER RESULTS

TORONTO, Canada – May 12, 2017– Spectral Medical Inc., (TSX:EDT), a Phase III company developing the first treatment for patients with septic shock guided by a companion diagnostic, today announced its unaudited financial results for the first quarter ended March 31, 2017.

Financial Review

Revenue for the three months ended March 31, 2017 was \$941,000 compared to \$1,062,000 for the same three month period last year. First quarter revenues were consistent with prior year levels and this trend is expected to continue for the remainder of the year.

Operating costs for the quarter ended March 31, 2017 were \$1,903,000 compared to \$4,069,000 in 2016. As the Company's Phase III clinical trial nears its conclusion, the related expenses have declined significantly. The Company continues to maintain a low cost operating structure for its base business operations and believes that it has adequate cash on hand to fund its regulatory program and operations through the end of the first quarter of 2018.

Loss for the quarter ended March 31, 2017 was \$962,000 (\$0.005 per share) compared to \$2,994,000 (\$0.02 per share) for the same quarter last year.

The Company concluded the first quarter of 2017 with cash on hand of \$3,714,000 compared to \$5,080,000 as of December 31, 2016.

The total number of shares outstanding for the Company was 207,165,587 as at March 31, 2017.

Business Update

The Company expects to file the fourth and final module of its PMA submission to the United States Food and Drug Administration in the second quarter and plans to make an announcement when the submission has been filed and to disclose further clinical data at that time.

The Company also expects to submit a manuscript for publication in a major medical journal and to present trial results at a major medical conference before the end of June 2017.

About Spectral

Spectral is a Phase III company seeking U.S. FDA approval for its unique product for the treatment of patients with septic shock, Toraymyxin[®] (PMX⁺). PMX is a therapeutic hemoperfusion device that removes endotoxin, which can cause sepsis, from the bloodstream and is guided by the Company's Endotoxin Activity Assay (EAA[®]), the only FDA cleared diagnostic for the risk of developing sepsis.

PMX has been approved for therapeutic use in Japan and Europe, and has been used safely and effectively on more than 150,000 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. Spectral is listed on the Toronto Stock Exchange under the symbol EDT. 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 Medical Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	March 31 2017 \$	December 31 2016 \$
Assets		
Current assets		
Cash	3,714	5,080
Trade and other receivables	792	642
Inventories	259	244
Prepayments and other assets	299	166
	<hr/> 5,064	<hr/> 6,132
Non-current assets		
Property and equipment	667	634
Intangible asset	328	334
	<hr/> 995	<hr/> 968
Total assets	<hr/> 6,059	<hr/> 7,100
Liabilities		
Current liabilities		
Trade and other payables	758	1,112
Deferred revenue	131	166
Total liabilities	<hr/> 889	<hr/> 1,278
Equity		
Share capital	63,084	63,084
Contributed surplus	7,849	7,849
Share-based compensation	4,413	4,103
Warrants	132	132
Deficit	(70,308)	(69,346)
Total equity	<hr/> 5,170	<hr/> 5,822
Total liabilities and equity	<hr/> 6,059	<hr/> 7,100

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2017 and 2016
(Unaudited)

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

	2017	2016
	\$	\$
Revenue	941	1,062
Expenses		
Changes in inventories of finished goods and work-in-process	15	25
Raw materials and consumables used	52	203
Employee benefits	1,080	1,153
Consulting and professional fees	320	2,071
Product development	50	-
Regulatory and investor relations	96	207
Travel and entertainment	86	209
Depreciation and amortization	54	42
Foreign exchange loss	3	15
Other expenses	147	144
	1,903	4,069
Operating loss	(962)	(3,007)
Finance income	-	13
Loss and comprehensive loss for the period	(962)	(2,994)
Basic and diluted loss per common share	(0.005)	(0.02)
Weighted average number of common shares outstanding	207,165,587	198,015,803

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)

	Issued capital Number	\$	Contributed surplus \$	Share-based compensation \$	Warrants \$	Deficit \$	Total equity \$
Balance, January 1, 2016	190,771,405	53,058	7,849	3,723	-	(59,197)	5,433
Bought deal prospectus offering	15,106,804	9,402	-	-	-	-	9,402
Share options exercised	855,000	458	-	(192)	-	-	266
Loss and comprehensive loss for the period	-	-	-	-	-	(2,994)	(2,994)
Share-based compensation	-	-	-	359	-	-	359
Balance, March 31, 2016	206,733,209	62,918	7,849	3,890	-	(62,191)	12,466
Balance, January 1, 2017	207,165,587	63,084	7,849	4,103	132	(69,346)	5,822
Loss and comprehensive loss for the period	-	-	-	-	-	(962)	(962)
Share-based compensation	-	-	-	310	-	-	310
Balance, March 31, 2017	207,165,587	63,084	7,849	4,413	132	(70,308)	5,170

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2017 and 2016
(Unaudited)

(in thousands of Canadian dollars)

	2017 \$	2016 \$
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period	(962)	(2,994)
Adjustments for:		
Depreciation on property and equipment	48	35
Amortization of intangible asset	6	6
Share-based compensation	310	359
Changes in items of working capital :		
Trade and other receivables	(150)	(256)
Inventories	(15)	(82)
Prepayments and other assets	(133)	(160)
Trade and other payables	(354)	(22)
Deferred revenue	(35)	(9)
Net cash used in operating activities	(1,285)	(3,123)
Investing activities		
Property and equipment expenditures	(81)	(53)
Net cash used in investing activities	(81)	(53)
Financing activities		
Bought deal prospectus offering	-	9,402
Share options exercised	-	266
Net cash provided by financing activities	-	9,668
(Decrease)increase in cash	(1,366)	6,492
Cash, beginning of period	5,080	6,369
Cash, end of period	3,714	12,861