



## SPECTRAL ANNOUNCES SECOND QUARTER RESULTS

**TORONTO, Canada – August 12, 2016 – Spectral Medical Inc., (TSX:EDT) (OTCQX:EDTXF)**, 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 second quarter ended June 30, 2016.

### Financial Review

Revenue for the three months ended June 30, 2016 was \$870,000 compared to \$818,000 for the same period in the preceding year. For the six months ended June 30, 2016 revenues were \$1,932,000 compared to \$1,695,000 in the first half of 2015. Revenues for both the quarter and the year 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 June 30, 2016 amounted to \$4,393,000 compared to \$3,242,000 in 2015. Operating costs for the six months ended were \$8,462,000, an increase of \$2,088,000 from \$6,374,000 for the first six months of 2015. The increase is almost entirely attributable to higher costs for the EUPHRATES trial, resulting from completion of patient enrolment, collection of data, and preparation of its final submission to the U. S. Food and Drug Administration (FDA). Trial related expenses are expected to decline significantly starting in the third quarter. Apart from clinical trial activities, the Company continues to maintain a low cost operating structure for its base business operations.

For the three months ended June 30, 2016, the Company reported a loss of \$3,498,000 (\$0.02 per share) compared to a loss of \$2,400,000 (\$0.01 per share) for the three months ended June 30, 2015. The loss for the six months ended June 30, 2016 was \$6,492,000 (\$0.03 per share) compared to \$4,722,000 (\$0.03 per share) for the same six month period in the prior year.

The Company concluded the second quarter of 2016 with cash on hand of \$10,044,000 compared to \$6,369,000 as of December 31, 2015.

The total number of shares outstanding for the Company was 206,733,209 as at June 30, 2016.

### 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, Toraymyxini<sup>®</sup> (PMX<sup>®</sup>). 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<sup>i</sup>), 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 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, representing a greater than \$3 billion market opportunity for Spectral. Spectral is listed on the Toronto Stock Exchange under the symbol EDT, and on the OTCQX under the symbol EDTXF. For more information please visit [www.spectraldx.com](http://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)

|                                     | June 30<br>2016<br>\$ | December 31<br>2015<br>\$ |
|-------------------------------------|-----------------------|---------------------------|
| <b>Assets</b>                       |                       |                           |
| <b>Current assets</b>               |                       |                           |
| Cash                                | 10,044                | 6,369                     |
| Trade and other receivables         | 752                   | 630                       |
| Inventories                         | 436                   | 243                       |
| Prepayments and other assets        | 264                   | 141                       |
|                                     | 11,496                | 7,383                     |
| <b>Non-current assets</b>           |                       |                           |
| Property and equipment              | 714                   | 717                       |
| Intangible asset                    | 347                   | 359                       |
|                                     | 1,061                 | 1,076                     |
| <b>Total assets</b>                 | <b>12,557</b>         | <b>8,459</b>              |
| <b>Liabilities</b>                  |                       |                           |
| <b>Current liabilities</b>          |                       |                           |
| Trade and other payables            | 3,387                 | 2,850                     |
| Deferred revenue                    | 105                   | 176                       |
| <b>Total liabilities</b>            | <b>3,492</b>          | <b>3,026</b>              |
| <b>Equity</b>                       |                       |                           |
| Share capital                       | 62,915                | 53,058                    |
| Contributed surplus                 | 7,849                 | 7,849                     |
| Other equity reserves               | 3,990                 | 3,723                     |
| Deficit                             | (65,689)              | (59,197)                  |
| <b>Total equity</b>                 | <b>9,065</b>          | <b>5,433</b>              |
| <b>Total liabilities and equity</b> | <b>12,557</b>         | <b>8,459</b>              |

# Spectral Medical Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the six months ended June 30, 2016 and 2015  
(Unaudited)

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

|  | Three months ended<br>June 30 |             | Six months ended<br>June 30 |             |
|--|-------------------------------|-------------|-----------------------------|-------------|
|  | 2016                          | 2015<br>\$  | 2016                        | 2015<br>\$  |
| <b>Revenue</b>   | 870                           | 818         | 1,932                       | 1,695       |
| <b>Expenses</b>  |                               |             |                             |             |
| Changes in inventories of finished goods<br>and work- in-process | 58                            | 56          | 83                          | 80          |
| Raw materials and consumables used                               | 95                            | 107         | 298                         | 207         |
| Employee benefits  | 969                           | 906         | 2,210                       | 1,910       |
| Product development  | 67                            | -           | 67                          | -           |
| Consulting and professional fees                                 | 2,555                         | 1,670       | 4,610                       | 3,242       |
| Regulatory and investor relations                                | 191                           | 138         | 326                         | 308         |
| Travel and entertainment   | 261                           | 189         | 470                         | 392         |
| Depreciation and amortization                                    | 49                            | 44          | 91                          | 87          |
| Foreign exchange loss (gain)                                     | 15                            | 4           | 30                          | (13)        |
| Other expenses   | 133                           | 128         | 277                         | 252         |
|  | 4,393                         | 3,242       | 8,462                       | 6,465       |
| <b>Operating loss</b>  | (3,523)                       | (2,424)     | (6,529)                     | (4,770)     |
| Finance income   | 25                            | 24          | 38                          | 48          |
| <b>Loss and comprehensive loss for the period</b>                | (3,498)                       | (2,400)     | (6,492)                     | (4,722)     |
| <b>Basic and diluted loss per common share</b>                   | (0.02)                        | (0.01)      | (0.03)                      | (0.03)      |
| <b>Weighted average number of common<br/>shares outstanding</b>  | 206,733,209                   | 190,803,548 | 202,334,393                 | 185,307,431 |

# Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Equity  
 For the six months ended June 30, 2016 and 2015  
 (Unaudited)

(in thousands of Canadian dollars)

|   | Issued capital<br>Number | \$     | Contributed<br>surplus<br>\$ | Share-based<br>compensation<br>\$ | Warrants<br>\$ | Deficit<br>\$ | Total equity<br>\$ |
|---|--------------------------|--------|------------------------------|-----------------------------------|----------------|---------------|--------------------|
| <b>Balance, January 1, 2015</b>               | 179,737,241              | 46,879 | 7,849                        | 3,542                             | -              | (49,450)      | 8,820              |
| Private placement                             | 11,049,464               | 6,021  | -                            | -                                 | -              | -             | 6,021              |
| Shares repurchased under NCIB                 | (90,000)                 | (23)   | -                            | -                                 | -              | (32)          | (55)               |
| Share options exercised                       | 355,950                  | 231    | -                            | (99)                              | -              | -             | 132                |
| Loss and comprehensive loss for<br>the period | -                        | -      | -                            | -                                 | -              | (4,722)       | (4,722)            |
| Share-based compensation                      | -                        | -      | -                            | 228                               | -              | -             | 228                |
| <b>Balance, June 30, 2015</b>                 | 191,052,655              | 53,108 | 7,849                        | 3,671                             | -              | (54,204)      | 10,424             |
| <b>Balance, January 1, 2016</b>               | 190,771,405              | 53,058 | 7,849                        | 3,723                             | -              | (59,197)      | 5,433              |
| Bought deal prospectus offering               | 15,106,804               | 9,399  | -                            | -                                 | -              | -             | 9,399              |
| Share options exercised                       | 855,000                  | 458    | -                            | (192)                             | -              | -             | 266                |
| Loss and comprehensive loss for<br>the period | -                        | -      | -                            | -                                 | -              | (6,492)       | (6,492)            |
| Share-based compensation                      | -                        | -      | -                            | 459                               | -              | -             | 459                |
| <b>Balance, June 30, 2016</b>                 | 206,733,209              | 62,915 | 7,849                        | 3,990                             | -              | (65,689)      | 9,065              |

# Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flows  
For the six months ended June 30, 2016 and 2015  
(Unaudited)

(in thousands of Canadian dollars)

|  | 2016<br>\$     | Six months ended<br>2015<br>\$ |
|--|----------------|--------------------------------|
| <b>Cash flow provided by (used in)</b>           |                |                                |
| <b>Operating activities</b>                      |                |                                |
| Loss and comprehensive loss for the period       | (6,492)        | (4,722)                        |
| Adjustments for:                                 |                |                                |
| Depreciation on property and equipment           | 79             | 75                             |
| Amortization of intangible asset                 | 12             | 12                             |
| Share-based compensation                         | 459            | 228                            |
| Loss on disposal of property and equipment       | 4              |                                |
| Changes in items of working capital :            |                |                                |
| Trade and other receivables                      | (122)          | (197)                          |
| Inventories                                      | (193)          | (101)                          |
| Prepayments and other assets                     | (123)          | (135)                          |
| Trade and other payables                         | 537            | (110)                          |
| Deferred revenue                                 | (71)           | (75)                           |
| <b>Net cash used in operating activities</b>     | <b>(5,910)</b> | <b>(5,025)</b>                 |
| <b>Investing activities</b>                      |                |                                |
| Property and equipment expenditures              | (80)           | (191)                          |
| <b>Net cash used in investing activities</b>     | <b>(80)</b>    | <b>(191)</b>                   |
| <b>Financing activities</b>                      |                |                                |
| Bought deal prospectus offering                  | 9,399          | -                              |
| Private placement                                | -              | 6,021                          |
| Share options exercised                          | 266            | 132                            |
| Shares repurchased under NCIB                    | -              | (55)                           |
| <b>Net cash provided by financing activities</b> | <b>9,665</b>   | <b>6,098</b>                   |
| Increase in cash                                 | 3,675          | 882                            |
| Cash, beginning of period                        | 6,369          | 10,054                         |
| <b>Cash, end of period</b>                       | <b>10,044</b>  | <b>10,936</b>                  |