



SPECTRAL ANNOUNCES SECOND QUARTER RESULTS

TORONTO, Canada – August 14, 2018– 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 second quarter ended June 30, 2018.

Financial Review

Revenue for the three-months ended June 30, 2018 was \$234,000 compared to \$1,055,000 for the same period in the preceding year. For the six-months ended June 30, 2018 revenues were \$1,397,000 compared to \$1,965,000 in the first half of 2017. Royalty revenue from one customer has decreased from \$880 (US\$659) to \$117 (US\$91) for the first six months of 2018, due to the expiry of certain patents. All royalty revenue contracts related to the Company's biological reagents will expire by the end of 2019. The Company is currently in the process of discussing potential technology transfers and other commercial options in respect of the underlying reagents to partially mitigate the short term revenue loss.

Operating costs for the quarter ended June 30, 2018 amounted to \$1,744,000 compared to \$2,205,000 in 2017. Operating costs for the six-months ended were \$3,621,000, a decrease of \$487,000 from \$4,108,000 for the first six months of 2017. Most of the Company's expenses are incurred in its Phase III clinical trial and regulatory program and will vary depending on the timing and determination of the regulatory path forward. Apart from clinical trial and regulatory activities, the Company continues to maintain a low cost operating structure for its base business operations.

For the three-months ended June 30, 2018, the Company reported a loss of \$1,510,000 (\$0.007 per share) compared to a loss of \$1,150,000 (\$0.006) for the three-months ended June 30, 2017. The loss for the six-months ended June 30, 2018 was \$2,224,000 (\$0.010 per share) compared to \$2,143,000 (\$0.010 per share) for the same six-month period in the prior year.

The Company concluded the second quarter of 2018 with cash on hand of \$5,222,000 compared to \$1,449,000 as of December 31, 2017.

The total number of shares outstanding for the Company was 225,591,183 as at June 30, 2018.

The Company continues to dialogue with the FDA concerning the pathway forward for its targeted therapy for septic shock.

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)

	June 30 2018	December 31 2017 Restated	January 01 2017 Restated
	\$	\$	\$
Assets			
Current assets			
Cash	5,222	1,449	5,080
Trade and other receivables	555	881	642
Inventories	232	191	244
Prepayments and other assets	293	73	166
Contract asset	126	-	-
	6,428	2,594	6,132
Non-current assets			
Property and equipment	504	570	634
Intangible asset	297	309	334
Total assets	7,229	3,473	7,100
Liabilities			
Current liabilities			
Trade and other payables	611	612	1,112
Contract liability	3	3	6
Total liabilities	614	615	1,118
Equity			
Share capital	66,646	63,225	63,084
Contributed surplus	7,981	7,849	7,849
Share-based compensation	5,544	4,914	4,103
Warrants	1,930	132	132
Deficit	(75,486)	(73,262)	(69,186)
Total equity	6,615	2,858	5,982
Total liabilities and equity	7,229	3,473	7,100

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the six-months ended June 30, 2018 and 2017

(Unaudited)

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

	Three-months ended		Six-months ended	
	2018	2017	2018	2017
		Restated		Restated
		\$		\$
Revenue	234	1,055	1,397	1,965
Expenses				
Changes in inventories of finished goods and work- in-process	32	111	56	126
Inventory write-down	38	-	38	-
Raw materials and consumables used	57	59	125	111
Salaries and benefits	739	804	1,904	1,884
Consulting and professional fees	486	884	696	1,204
Product development	66	-	66	50
Regulatory and investor relations	81	65	279	161
Travel and entertainment	34	59	62	145
Depreciation and amortization	58	58	120	112
Foreign exchange (gain) loss	8	31	(22)	34
Other expenses	145	134	297	281
	1,744	2,205	3,621	4,108
Loss and comprehensive loss for the period	(1,510)	(1,150)	(2,224)	(2,143)
Basic and diluted loss per Share	(0.007)	(0.006)	(0.010)	(0.010)
Weighted average number of Shares outstanding	221,666,203	207,249,708	214,664,360	207,207,879

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the six-months ended June 30, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

	Issued capital		Contributed surplus	Share-based compensation	Warrants	Deficit	Total equity
	Number	\$	\$	\$	\$	\$	\$
Balance, January 1, 2017	207,165,587	63,084	7,849	4,103	132	(69,346)	5,822
Change in accounting policies	-	-	-	-	-	160	160
Restated equity, January 1, 2017	207,165,587	63,084	7,849	4,103	132	(69,186)	5,982
Share options exercised	275,000	130	-	(53)	-	-	77
Loss and comprehensive loss for the period, restated	-	-	-	-	-	(2,143)	(2,143)
Share-based compensation	-	-	-	375	-	-	375
Balance, June 30, 2017	207,440,587	63,214	7,849	4,425	132	(71,329)	4,291
Share options exercised	18,435	11	-	(4)	-	-	7
Loss and comprehensive loss for the period, restated	-	-	-	-	-	(1,933)	(1,933)
Share-based compensation	-	-	-	493	-	-	493
Balance, December 31, 2017	207,459,022	63,225	7,849	4,914	132	(73,262)	2,858
Balance, January 1, 2018	207,459,022	63,225	7,849	4,914	132	(73,262)	2,858
Private placement	17,694,661	3,267	-	-	1,930	-	5,197
Share options exercised	437,500	154	-	(63)	-	-	91
Warrant expiry	-	-	132	-	(132)	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(2,224)	(2,224)
Share-based compensation	-	-	-	693	-	-	693
Balance, June 30, 2018	225,591,183	66,646	7,981	5,544	1,930	(75,486)	6,615

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the six-months ended June 30, 2018 and 2017
(Unaudited)

(in thousands of Canadian dollars)

	2018	2017
	\$	Restated \$
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period	(2,224)	(2,143)
Adjustments for:		
Depreciation on property and equipment	107	100
Amortization of intangible asset	12	12
Share-based compensation	693	375
Gain on disposal of property and equipment	-	(15)
Changes in items of working capital :		
Trade and other receivables	326	(311)
Inventories	(41)	(32)
Prepayments and other assets	(220)	(82)
Contract asset	(126)	-
Trade and other payables	(1)	(69)
Contract liability	-	(4)
Net cash used in operating activities	(1,474)	(2,169)
Investing activities		
Purchase of property and equipment	(41)	(91)
Proceeds on disposal of property and equipment	-	15
Net cash used in investing activities	(41)	(76)
Financing activities		
Proceeds from private placement	5,308	-
Transaction costs paid	(111)	-
Proceeds from Share options exercised	91	77
Net cash provided by financing activities	5,288	77
Increase (decrease) in cash	3,773	(2,168)
Cash, beginning of period	1,449	5,080
Cash, end of period	5,222	2,912