SPECTRAL ANNOUNCES NEXT STEPS IN PATH FORWARD AND ISSUES THIRD QUARTER RESULTS

TORONTO, Canada – November 11, 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 next steps in its development program for ToraymyxinÊ (PMX) and released financial results for the third quarter ended September 30, 2016.

Pathway Forward

Top line results for the Companyõs pivotal Phase III EUPHRATES trial were announced on October 3, 2016. These results showed that use of the PMX cartridge is safe and demonstrated a five (5) percent reduction in mortality at 28 days in the sickest group of patients (MODS>9) who were treated with two PMX cartridges. This was a pre-specified population which, in addition to a mortality benefit, showed beneficial treatment effects across multiple secondary end points and that the mortality benefit increased as a function of the amount of endotoxin removed.

The EUPHRATES study also showed that endotoxemia remains a major cause of the unacceptably high mortality of patients in septic shock. It is the only trial to have been designed to show the relationship between endotoxemia (based on a reliable method of measurement) and its removal with a cartridge specifically designed to remove endotoxin.

The data base for the EUPHRATES trial contains detailed data on the clinical characteristics of 450 randomized subjects with high levels of endotoxin. These subjects were followed closely over 28 days for changes in endotoxin levels, as well as for other details of the clinical course of their septic shock episode. This extensive data base is now actively being analysed for the effect of endotoxin removal on mortality and on improvement in organ function, including the cardiovascular system. This process is expected be completed and a pre submission meeting held with the FDA by mid-Q1 2017. The Company intends to provide further communication in this regard at that time.

ñWe are encouraged by the initial trial data and intend to do everything that we can to move this product forward to potential FDA approval. The product is safe and has demonstrated beneficial treatment effects in patients suffering from septic shock, which claims a significant number of lives each year in North America and where no other treatment is available,òstated Dr. Paul Walker, President and CEO of Spectral.

Financial Review

Revenue for the three months ended September 30, 2016 was $807,000 compared to $679,000 for the same period in the preceding year. For the nine months ended September 30, 2016 revenues were $2,739,000 compared to $2,374,000 in the first nine months 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 September 30, 2016 amounted to $3,458,000 compared to $3,192,000 in 2015. Operating costs for the nine months ended were $11,920,000, an increase of $2,263,000 from $9,657,000 for the first nine 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 regulatory submission to the U.S. Food and Drug Administration (FDA). Trial related expenses are expected to decline significantly starting in the fourth 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 September 30, 2016, the Company reported a loss of $2,633,000 ($0.01 per share) compared to a loss of $2,493,000 ($0.01 per share) for the three months ended September 30, 2015. The loss for the nine months ended September 30, 2016 was $9,125,000 ($0.04 per share) compared to $7,215,000 ($0.04 per share) for the same nine month period in the prior year.

The Company concluded the third quarter of 2016 with cash on hand of $7,180,000 compared to $6,369,000 as at December 31, 2015, which amount should be sufficient to fund its operations and regulatory program through 2017.

The total number of shares outstanding for the Company was 207,165,587 as at September 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, ToraymyxinÊ (ñPMXò). PMX is a therapeutic hemoperfusion device that removes endotoxin, which can cause sepsis, from the bloodstream and is guided by the Companyõs Endotoxin Activity Assay (EAAÊ), 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, and on the OTCQX under the symbol EDTXF. 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)

	September 30 2016 $	December 31 2015 $
Assets		
Current assets		
Cash	7,180	6,369
Trade and other receivables	580	630
Inventories	384	243
Prepayments and other assets	173	141
	8,317	7,383
Non-current assets		
Property and equipment	718	717
Intangible asset	340	359
	1,058	1,076
Total assets	9,375	8,459
Liabilities		
Current liabilities		
Trade and other payables	2,511	2,850
Deferred revenue	70	176
Total liabilities	2,581	3,026
Equity		
Share capital	63,216	53,058
Contributed surplus	7,849	7,849
Other equity reserves	4,051	3,723
Deficit	(68,322)	(59,197)
Total equity	6,794	5,433
Total liabilities and equity	9,375	8,459

Spectral Medical Inc.

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

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

	Three months ended September 30		Nine months ended September 30	
	2016	**2015**	**2016**	**2015**
		$		**$**
Revenue	807	679	2,739	2,374
Expenses				
Changes in inventories of finished goods and work- in-process	106	28	189	108
Raw materials and consumables used	106	133	404	340
Employee benefits	896	846	3,106	2,756
Product development	-	16	67	16
Consulting and professional fees	1,689	1,451	6,299	4,693
Regulatory and investor relations	270	197	596	505
Travel and entertainment	172	329	642	721
Depreciation and amortization	53	43	144	130
Foreign exchange loss (gain)	29	8	59	(5)
Other expenses	137	141	414	393
	3,458	3,192	11,920	9,657
Operating loss	(2,651)	(2,513)	(9,181)	(7,283)
Finance income	18	20	56	68
Loss and comprehensive loss for the period	(2,633)	(2,493)	(9,125)	(7,215)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average number of common shares outstanding	206,865,470	190,830,571	203,882,419	187,168,709

Spectral Medical Inc.

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

(in thousands of Canadian dollars)

	Issued capital		Contributed surplus	Share-based compensation	Deficit	Total equity
	Number	$	$	$	$	$
Balance, January 1, 2015	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	(480,000)	(132)			(223)	(355)
Share options exercised	379,700	243	-	(104)	-	139
Loss and comprehensive loss for the period	-	-	-	-	(7,215)	(7,215)
Share-based compensation	-	-	-	274	-	274
Balance, September 30, 2015	190,686,405	53,011	7,849	3,712	(56,888)	7,684
Balance, January 1, 2016	190,771,405	53,058	7,849	3,723	(59,197)	5,433
Bought deal prospectus offering	15,106,804	9,399	-	-	-	9,399
Share options exercised	887,378	479	-	(200)	-	279
Broker warrants exercised	400,000	280				280
Loss and comprehensive loss for the period	-	-	-	-	(9,125)	(9,125)
Share-based compensation	-	-	-	528	-	528
Balance, September 30, 2016	207,165,587	63,216	7,849	4,051	(68,322)	6,794

Spectral Medical Inc.

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

(in thousands of Canadian dollars)

	Nine months ended	
	2016	**2015**
	$	**$**
Cash flow provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period	(9,125)	(7,215)
Adjustments for:		
Depreciation on property and equipment	125	112
Amortization of intangible asset	19	18
Share-based compensation	528	274
Loss on disposal of property and equipment	6	-
Changes in items of working capital:		
Trade and other receivables	50	(102)
Inventories	(141)	(89)
Prepayments and other assets	(32)	(278)
Trade and other payables	(339)	(78)
Deferred revenue	(106)	(80)
Net cash used in operating activities	(9,015)	(7,438)
Investing activities		
Property and equipment expenditures	(132)	(17)
Net cash used in investing activities	(132)	(17)
Financing activities		
Bought deal prospectus offering	9,399	-
Private placement	-	6,021
Share options exercised	279	139
Broker warrants exercised	280	-
Shares repurchased under NCIB	-	(355)
Net cash provided by financing activities	9,958	5,805
Increase(decrease) in cash	811	(1,650)
Cash, beginning of period	6,369	10,054
Cash, end of period	7,180	8,404