

# CODE OF ETHICS AND BUSINESS CONDUCT

Spectral Diagnostics Inc. expects all of its directors, officers, employees and consultants to comply with the laws and regulations governing its conduct and further is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities. This Code of Ethics and Business Conduct ("**Code**") outlines guidelines and procedures for the behaviour expected of the Corporation's directors, officers, employees and consultants in course of their mandate, employment or duties.

## 1. SCOPE AND PURPOSE

### 1.1 Scope

This Code applies to all directors, officers, employees and consultants (also referred to as the "**representatives**") of Spectral Diagnostics Inc. and its subsidiaries (collectively, "**the Corporation**"). Compliance with this policy is a condition of any employment, contract or office.

### 1.2 Purpose

Loyalty, integrity, respect and confidentiality are values at the core of the Corporation's culture and this Code. The Corporation's representatives are expected to promote and contribute to these values, to abide by the highest standards of ethical conduct and to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders.

It is not intended that this Code be exhaustive and it is anticipated that this Code will be supplemented and refined through evolution of its activities and the context within which they are conducted, as well as experience of specific sets of circumstances. Representatives of the Corporation are expected to use sound judgment in determining the most appropriate course of action in a given set of circumstances. When in doubt, representatives should check with a member of the Corporation's senior management team.

Conduct that may raise questions as to any of the representatives' honesty, integrity, impartiality, reputation or activities or that could cause embarrassment to the Corporation or damage its reputation is prohibited. Any activity, conduct, or transaction that is or may appear to be unethical, illegal or improper business conduct must be avoided.

## 2. GENERAL CONDUCT AND BEHAVIOUR

### 2.1 Loyalty

The Corporation expects that all representatives will act with loyalty, to protect and promote the Corporation's good reputation and its interests. Diligent attendance to one's duties, maintaining one's knowledge current and demonstrating quality and rigor in discharging of such duties attest to such loyalty.

### 2.2 Ethical Conduct

The Corporation's culture provides the foundation for ethical conduct and behaviour by its representatives through:

- good corporate governance and adherence to all applicable laws and regulations;

- a work environment free from harassment or discrimination where individuals are treated with respect and dignity;
- a safe and healthy workplace; and
- recognition of the representatives' commitments and responsibilities to their families and communities.

All representatives of the Corporation will:

- Uphold and comply with the Corporation's policies & procedures and culture;
- Strive for their personal success and that of their team and the entire Corporation;
- Ensure that all information provided in all reports and documents for internal use and external audiences, including individual expense reports, will be complete, accurate, honest and timely;
- Deal honestly and fairly with the Corporation's customers, suppliers, competitors, and regulatory bodies; and
- Protect the Company's assets and use them efficiently and only for Corporation purposes.

All representatives and any visitors to the Corporation's premises, are strictly prohibited from the following acts (even if such acts or comments are made in jest):

- Possession or use of threat of use of any type of weapon;
- Threat or actual use of violence or intimidation in the workplace;
- Wilful destruction of Corporation property or an individual's personal property; and
- Use, possession or being under the influence of illicit substances while on duty or on the Corporation's premises.

### 2.3 Respectful Behaviour

Representatives of the Corporation will deal with business partners, clients, suppliers and other parties with integrity, respect, courtesy, moderation and without undue aggressiveness, negativity or arrogance.

Representatives will deal with their colleagues fairly, with integrity, respect, politeness and without negative prejudices, and will avoid any abuse of power. Representatives will refrain from making disparaging or discriminatory comments, innuendos, or gossip and from taking unfair advantage of others through manipulation, misrepresentation or other unfair practices.

## 3. BUSINESS ASSETS

Representatives should protect the Corporation's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Corporation's profitability. All of the Corporation's assets should be used for legitimate business purposes. For clarity, telecommunications facilities such as telephone, cellular phones, facsimile, internet and email are property of the Corporation. Use of these facilities imposes certain responsibilities and obligations on all representatives. Usage must be ethical and honest with a view to preservation of and due respect for the Corporation's intellectual property, security systems, personal privacy, and freedom of others from intimidation, harassment, or unwanted annoyance.

#### **4. INTEGRITY OF BOOKS AND RECORDS AND COMPLIANCE WITH SOUND ACCOUNTING PRACTICES**

Accuracy and reliability in the preparation of all business records is of critical importance to the Corporation's decision making process and its compliance with financial, legal and reporting obligations. Full, fair, accurate and timely disclosure in the reports and other documents that the Corporation files with its regulators and in the Corporation's other public communications must comply with the Corporation's obligations under applicable laws, including securities laws, and meet expectations of the Corporation's shareholders and other members of the investment community.

##### **4.1 Preparation of Books and Records**

All business records, expense reports, invoices, bills, payroll, corporate records and other similar reports must be prepared with care, accuracy and honesty. False or misleading entries in the Corporation's books and records are not permitted.

##### **4.2 Recording and Reporting Financial Transactions**

Financial transactions must be properly recorded in the books of account. Accounting procedures and entries must be supported by the necessary internal controls. Books and records of the Corporation must be available for audit purposes.

Those representatives who are responsible for producing and managing the Corporation's financial reporting and internal controls systems will ensure that:

- business transactions are properly authorized;
- records fairly and accurately reflect the transactions or occurrences to which they relate;
- records fairly and accurately reflect in reasonable detail the Corporation's assets, liabilities, revenues and expenses;
- the Corporation's accounting records do not contain any false or intentionally misleading entries;
- no transactions are intentionally misclassified as to accounts, departments or accounting periods;
- transactions are supported by accurate documentation in reasonable detail and recorded in the proper account and period;
- records comply with generally accepted accounting principles. However, technical compliance with GAAP may not be sufficient and, to the extent that technical compliance with GAAP would render reported financial information misleading, additional disclosure will be required; and
- no information is concealed from the Chief Financial Officer or the controller, the Corporation's independent auditors, the Audit Committee of the Board of Directors or the Board itself.

##### **4.3 Responsibilities of Representatives**

While representatives who produce and manage the Corporation's financial reporting and internal control systems are ultimately responsible for the completeness, fairness, accuracy and timeliness of such reports and communications, their ability to do so is dependent on everyone's full cooperation in their own sphere of activity. As a result, each representative will:

- not intentionally cause Corporation documents to be incorrect;
- not create or participate in the creation of any records intended to conceal anything that is improper;
- properly and promptly record or cause to be recorded all disbursements of funds;
- not make any unusual financial arrangements with a client or a supplier (such as over-invoicing or under-invoicing) for payments on their behalf to a third party;
- comply with the Corporation's system of internal accounting controls, disclosure controls, and related procedures; and
- co-operate with the Chief Financial Officer, the controller and the Corporation's independent auditors.

Representatives are encouraged to report untruthful or inaccurate statements or records or transactions that do not appear to serve a legitimate commercial purpose.

## **5. CONFLICT OF INTEREST**

A conflict of interest occurs when a representative places or finds himself or herself in a position where his or her private interests conflict with the best interests of the Corporation or have an adverse affect on the representative's motivation or the proper performance of his or her job. In an effort to avoid conflicts of interest, the Corporation's representatives will:

- put the interests of the Corporation before their own;
- avoid situations or relationships which create, or create the appearance of, a conflict of interest with those of the Corporation;
- choose suppliers in an objective and ethical manner, to obtain the best value for the Corporation;
- notify management in writing of the existence of any personal or professional relationships which may create a conflict of interest with the Corporation or with a customer, supplier or other outside party;
- avoid holding a significant financial interest in a supplier, customer or other party with whom the Corporation does business;
- refrain from giving or accepting gifts or social invitations of more than an nominal value which could create, or create the appearance of, a conflict of interest;
- not solicit gifts or social invitations from customers, suppliers or other outside parties;
- protect the Corporation's assets against loss, theft, abuse or unauthorized use or disposal; and
- not use the Corporation assets, facilities or positions to promote personal interests.

Representatives are prohibited from: (a) taking for themselves personally corporate opportunities that are discovered through the use of corporate property, information or position; (b) using corporate property, information or position for personal gain; and (c) competing with the Corporation. Representatives owe a duty to the Corporation to advance its legitimate interests when the opportunity to do so arises.

Business decisions are made on merit. Representatives of the Corporation will not accept gifts from either customers or suppliers if it would put any sense of obligation on the representative to give the customer or supplier more favourable treatment. Any gift of significant value should be reported to senior management.

If the Company determines that a representative's outside work interferes with performance or the ability to meet the requirements of the Corporation, as they are modified from time to time, the representative may be asked to terminate the outside employment if he or she wishes to remain employed by the Corporation.

## **6. HARASSMENT AND DISCRIMINATION**

The Corporation will not tolerate any form of harassment or discrimination. Harassment or discrimination is any conduct that is offensive, humiliating or unduly embarrassing for anyone, that is often repetitive and deprives a person of its rights to dignity and respect, as understood under applicable laws.

The Corporation promotes a working environment that is free of any form of sexual harassment. Sexual harassment means any conduct, statements, act or contact of a sexual nature that:

- a) is of a nature so as to humiliate or offend a person; or
- b) could reasonably lead a person to believe that the continuation of his or her employment, service or duties, a promotion or any other advantage to which he or she may be entitled or aspire is dependent on sexual favours.

## **7. COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

It is the responsibility of the representatives to become familiar with and conduct all of the Corporation's business in compliance with all domestic and foreign laws, rules and regulations applicable to the Corporation's business. Violation of applicable laws, rules or regulations or compromise of the Company's ethical expectations could result in written reprimands or other disciplinary action, including termination and criminal or civil legal proceedings where applicable.

The Corporation is involved, from time to time, in matters which are sensitive in nature and important to the Corporation, its representatives and its shareholders. Securities laws impose certain obligations on the Corporation regarding the disclosure of information to the public. In addition, maintaining the confidentiality of certain information is essential to preserve the value of the Corporation, its technology (including trade secrets), its intellectual property, and to reduce the risks and liabilities associated with disclosure of confidential information of others that is provided to us in confidence. To comply with these laws and related regulations and mitigate such risks and liabilities, the Corporation has established an Information Disclosure Policy and an Insider Trading Policy applicable to all the Corporation representatives.

The following confidentiality and insider trading guidelines are intended to supplement, and not replace, such policies to facilitate their implementation at every level:

### **7.1 Confidentiality**

The Corporation's ability to discharge effectively its disclosure obligations under securities laws can be adversely affected by the premature or otherwise unauthorized disclosure of Corporation's internal information. All representatives, therefore, must make every effort to maintain the confidentiality of the Corporation's internal information. These efforts include adhering to the following guidelines.

The Corporation's representatives will:

- comply fully with the confidentiality expected of their mandate or offices, or the confidentiality provisions of their employment or consulting contract and all related confidentiality agreements;
- maintain the strict confidentiality of the Corporation's confidential information and such information entrusted to us by third parties;
- securely handle and store all sensitive documents containing confidential information;
- disclose such information only when appropriate permissions and controls are in place and in accordance with the Information Disclosure Policy and applicable securities laws;
- not discuss details of the Company's business or internal information with friends or family, or at social or public events, or with third parties except as may be required in the ordinary course of business and in accordance with the Information Disclosure Policy;
- refrain from obtaining confidential information of third parties (except in the normal course of business) or from possessing or retaining such information which has been inadvertently disclosed to us;
- not use the Corporation confidential information or such information entrusted to the Corporation by a third party for personal advantage or the advantage of others; and
- not display or work on Company confidential material in a public area, including on airplanes or in airports.

#### 7.2 Designated Spokesperson

Representatives who are not authorized spokespersons may not respond under any circumstances to inquiries from the investment community or the media unless specifically asked to do so by an authorized spokesperson. All such inquiries must be referred to the persons designated for this purpose in the Disclosure Controls Policy.

#### 7.3 Trading of Securities

The Corporation's representatives will not trade in any securities of the Corporation or other securities based on insider information which is not generally known and unavailable to the general public. The Insider Trading Policy sets out prohibitions of certain trades of the Corporation's securities and other guidelines to be complied with if contemplating a trade in the Corporation's securities.

The above is intended as an overview and practical guide to matters of confidentiality and insider trading, and all representatives are directed to the specific provisions of the Disclosure Controls Policy and Insider Trading Policy on these matters.

### **8. INTELLECTUAL PROPERTY**

The Corporation's representatives may not use the Corporation's assets or time for purposes other than those required by their duties. The Corporation conducts its business in a field where intellectual property, information regarding technologies and trade secrets constitute essential aspects of its business and require the implementation and enforcement of protective measures to preserve the value of such business.

In accordance with the Corporation's Intellectual Property Policy, the results of work performed by an employee in the course of his or her employment, including the development and improvement of its confidential and proprietary information are for the

sole benefit of the Corporation and the assignees of its rights. A representative may not use them for purposes other than those strictly related to his or her duties.

#### **9. REPORTING CODE VIOLATIONS (WHISTLEBLOWING)**

The Corporation's directors, officers, employees and consultants have a responsibility to report promptly any conduct or proposed conduct that they reasonably believe to be a violation of this Code. The Company may adopt a Whistleblower Policy applicable to the reporting any such conduct or proposed conduct and investigation of a reported incident. In such instance, representatives are directed to any Whistleblower Policy for greater details on how to report, who to report to, confidentiality and investigation procedures.

The Corporation does not consider reporting a known or suspected violation of this Code to be an act of 'disloyalty' and it is against Corporation policy to retaliate against any representatives who reports what he or she reasonably believes to be a violation or suspected violation of this Code. This means that representatives will not be disciplined, fired or discriminated against in any way for voicing concern about a violation or potential violation so long as such representative acts honestly and in good faith. Any reprisal or retaliation against a representative who has in good faith reported a known or suspected violation of this Code is itself cause for disciplinary action, including termination.

#### **10. SANCTIONS AND CONSEQUENCES**

Violation of this Code is a serious matter that could subject the Corporation or its representatives to legal liability and furthermore, in the case of representatives who are employees, disciplinary sanctions including termination. In addition, conduct by a director or senior officer which represents a material departure from this Code may constitute a material change triggering the material change reporting requirements of applicable securities laws.

#### **11. BOARD MONITORING AND WAIVERS**

The Board of Directors of the Company will monitor compliance with this Code. Where appropriate, either the Nomination and Governance Committee or the Audit Committee of the Board of Directors may grant waivers of any provision of this Code.

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of the Corporation's business. It is not intended to and does not, in any way, constitute an employment contract or an assurance of continued employment or create any rights in any employee, director, client, supplier, competitor, stockholder or any other person or entity.

**ADOPTED ON AUGUST 8, 2007**