

## **SPECTRAL ANNOUNCES 2009 FINANCIAL RESULTS**

**TORONTO, Canada – March 11, 2010 – Spectral Diagnostics Inc. (TSX:SDI)** today announced its operational highlights and financial results for the fiscal year ended December 31, 2009.

“This year, Spectral successfully transitioned from a purely diagnostics company, to a theranostics company developing products for the treatment of sepsis, providing a far more significant commercial opportunity for the company and value for our shareholders,” said Dr. Paul Walker, President and CEO of Spectral. “We are now beginning a new chapter for Spectral as we prepare to initiate our US pivotal trial for Toraymyxin™, a therapeutic hemoperfusion device that removes endotoxin from the bloodstream. Toraymyxin™ has the potential to fulfill an unmet need for the approximately 250,000 patients that develop severe sepsis or septic shock in the US each year. With the cash resources now in place and our recent Investigational Device Exemption (IDE) approval from the FDA, we are planning to start the trial in the first half of 2010.”

### **Highlights subsequent to year end:**

- IDE approved by the US FDA on February 26, 2010.
- Completed private placement for \$19.5 million on March 2, 2010.
- Appointed Mr. Kevin Giese, President, CEO and Director of BioMS Medical and Mr. Laine Woollard, QC, Senior Legal Counsel of TEC Edmonton, to the Company’s Board of Directors.

### **Highlights from 2009:**

- Signed a license agreement with Toray Industries, Inc. of Japan granting Spectral the exclusive development and commercial rights in the U.S. for Toraymyxin™.
- Results demonstrating Toraymyxin™, when added to conventional therapy, significantly improved hemodynamics and organ dysfunction and reduced 28-day mortality in patients with severe sepsis and septic shock published in *Journal of the American Medical Association (JAMA)*.
- Appointed Dr. Michael Cross to the Company’s Board of Directors. Dr. Cross is Vice President of Investments at GrowthWorks Capital, one of Canada's leading venture capital management companies.

### **Financial Review**

For the three-months ended December 31, 2009, Spectral reported sales of \$850,000 compared to \$861,000 for the corresponding period in 2008. For the year ended

December 31, 2009, Spectral reported sales of \$3,283,000 compared to \$3,011,000 for the corresponding period in 2008. In 2009, sales of the Company's EAA™ product increased to \$772,000, compared to \$660,000 in the prior year. Reagent sales of \$331,000, in 2009 increased by 38% over last year. Royalty revenues of \$2,179,000 related to the Company's Troponin I technology were consistent with the \$2,097,000 of royalty revenues in 2008.

Selling, general and administrative expenses for the year ended December 31, 2009 were \$4,110,000, compared to \$3,264,000 for the corresponding period in 2008. The increase is attributable primarily to incremental consulting and regulatory costs related to the commercialization of Toraymyxin™ (\$610,000) and a one-time severance payment to a long-term employee who left the Company at the end of the year (\$170,000). Other operating expenses, that support the existing business, have remained consistent year over year and are not expected to increase significantly in 2010.

For the three-months ended December 31, 2009, the Company reported a loss of \$1,230,000 or (\$0.05) per share compared to a loss of \$303,000 or (\$0.01) per share for the corresponding period in 2008. For the year ended December 31, 2009, the Company reported a loss of \$2,764,000 or (\$0.11) per share compared to a loss of \$1,502,000 or (\$0.06) per share for the corresponding period in 2008. The higher loss is attributed primarily to the aforementioned commercialization costs and severance payment, the foreign exchange impact of the strengthening Canadian dollar versus US currency and lower investment income due to the significant decline in interest rates and lower cash balances during the last year.

Cash and short term investments at December 31, 2009 totalled \$2,944,000 compared with \$4,297,000 at December 31, 2008. Cash was used primarily to fund operating losses.

The total number of shares outstanding for the Company was 75,759,049 as at March 2, 2010.

### **Notice of Annual General Meeting**

Spectral will hold its Annual General Meeting of Shareholders at 4:00 PM on May 20, 2010 at the offices of Stikeman, Elliott LLP, Suite 5300, 199 Bay Street, Toronto, Ontario.

### **About Spectral Diagnostics**

Spectral is a leader in the battle against sepsis. Spectral's lead product is its Endotoxin Activity Assay (EAA™), the only FDA cleared assay for the measurement of endotoxin. With the growing awareness for the role of endotoxemia in sepsis and the increasing number of therapies being developed for this indication, Spectral is well-positioned to drive the adoption of the EAA™, which can be used to identify patients, enable therapeutics and monitor treatment. In March 2009, Spectral obtained the exclusive development and commercial rights in the U.S. for Toraymyxin™, a therapeutic for the treatment of sepsis that removes endotoxin from the bloodstream. Spectral will seek FDA approval for Toraymyxin™ and intends to commercialize the product together with EAA™. Spectral is listed on TSX under the symbol SDI.

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**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.*

# Spectral Diagnostics Inc.

## Balance Sheets

As at December 31, 2009 and 2008

(in thousands of dollars)

	2009 \$	2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,944	297
Short-term investments	-	4,000
Accounts receivable	781	860
Inventories	123	203
Prepaid expenses	45	42
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	3,893	5,402
<b>Property, plant and equipment, net</b>	457	493
<b>Commercial instruments, net</b>	94	132
<b>Purchased technology and trademarks, net</b>	588	1,058
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	5,032	7,085
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,077	540
Current portion of convertible notes payable	2,336	-
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	3,413	540
<b>Deferred revenue</b>	254	322
<b>Convertible notes payable</b>	-	2,172
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	3,667	3,034
<b>Shareholders' Equity</b>		
<b>Common shares</b>	2,524	2,524
<b>Other equity</b>	5,794	5,716
<b>Deficit</b>	(6,953)	(4,189)
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	1,365	4,051
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	5,032	7,085
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# Spectral Diagnostics Inc.

## Statements of Operations, Comprehensive Loss and Deficit For the years ended December 31, 2009 and 2008

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

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Sales</b>	3,283	3,011
<b>Cost of sales</b>	836	796
<b>Gross margin</b>	2,447	2,215
<b>Operating expenses</b>		
Selling, general and administrative	4,110	3,264
Amortization	635	592
Foreign currency exchange loss (gain)	128	(117)
Stock-based compensation	78	110
Research and product development, net of credits	68	32
	5,019	3,881
<b>Loss before the following</b>	(2,572)	(1,666)
<b>Interest on convertible notes payable</b>	(164)	(164)
<b>Other net investment (loss) income</b>	(28)	328
<b>Loss and comprehensive loss for the year</b>	(2,764)	(1,502)
<b>Deficit - Beginning of year</b>	(4,189)	(2,687)
<b>Deficit - End of year</b>	(6,953)	(4,189)
<b>Basic and diluted loss per common share</b>	(0.11)	(0.06)
<b>Weighted average number of common shares outstanding</b>	24,118,424	24,118,424

# Spectral Diagnostics Inc.

## Statements of Cash Flows

For the years ended December 31, 2009 and 2008

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(in thousands of dollars)

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss for the year	(2,764)	(1,502)
Items not affecting cash		
Amortization	635	592
Amortization of commercial instruments included in cost of sales	86	76
Stock-based compensation expense	78	110
Interest on convertible notes payable	164	164
Changes in non-cash working capital	693	37
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	(1,108)	(523)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(129)	(235)
Purchase of commercial instruments	(48)	(44)
Decrease in short-term investments	4,000	289
(Decrease) increase in deferred revenue	(68)	172
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	3,755	182
<b>Increase (decrease) in cash during the year</b>	2,647	(341)
<b>Cash - Beginning of year</b>	<hr/>	<hr/>
	297	638
<b>Cash - End of year</b>	<hr/>	<hr/>
	2,944	297