

SPECTRAL ANNOUNCES 2008 FINANCIAL RESULTS

TORONTO, Canada – March 12, 2009 – Spectral Diagnostics Inc. (TSX:SDI) today announced its operational highlights and financial results for the fiscal year ended December 31, 2008.

“In 2008, we accomplished several key objectives on our path to delivering an effective treatment for severe sepsis for the U.S. market,” said Dr. Paul Walker, President and CEO of Spectral. “In September, we agreed to key terms with Toray Industries, Inc. (Toray) of Japan to obtain 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, and which has been used on more than 70,000 patients to date, primarily in Europe and Japan . Together with our proprietary Endotoxin Activity Assay (EAA™), used for measuring endotoxin levels in the blood, the combination has demonstrated a dramatic reduction in the mortality of patients with severe sepsis compared to standard of care in European trials. Spectral’s current focus is to seek FDA clearance for the therapeutic product.”

Highlights from 2008:

- Agreed to key terms with Toray, in September 2008, to obtain the exclusive development and commercial rights in the U.S. for Toraymyxin™. The Company will now seek FDA clearance for this product. The final license and supply agreement with Toray was signed subsequent to the year end on March 6, 2009.
- Presented findings showing the clinical effectiveness of EAA™ to identify patients with elevated endotoxin levels and to guide endotoxin reducing strategies at a symposium entitled “Blood Purification in the Treatment of Sepsis,” at the International Shock Congress in Cologne, Germany in June 2008.
- Entered into an exclusive distribution agreement in July 2008 with BB Medical, a leading distributor of medical technologies in Russia, for Spectral’s EAA™. Under the terms of the agreement, BB Medical will market and sell EAA™ throughout the Russian Federation starting in 2009.
- Expanded collaboration agreement with Toray in May 2008, gaining access to Toray’s distributors in new geographic territories including China, India, Russia and Canada for the sales and promotion of EAA™ in combination with Toraymyxin™ and as a stand-alone product.
- Selected by a major international pharmaceutical company in April 2008 to use EAA™ to measure endotoxin levels during the enrolment of patients in a Phase III sub study, part of a multinational clinical trial evaluating the safety and effectiveness of a treatment for severe sepsis.

Financial Review

For the three-months ended December 31, 2008, Spectral reported sales of \$861,000 compared to \$675,000 for the corresponding period in 2007. For the year ended December 31, 2008, Spectral reported sales of \$3,011,000 compared to \$2,993,000 for the corresponding period in 2007. In 2008, sales of the Company's EAA™ product more than doubled to \$660,000, compared to \$296,000 in the prior year. The distribution agreements signed in Japan, Italy, and Germany late in 2007 were primarily accountable for this revenue growth. Spectral expects further sales improvement from these existing arrangements and new sales from distribution agreements in Russia and India in 2009. Reagent sales of \$239,000 in 2008 increased by 22% over last year and are expected to remain consistent in the next fiscal year. Certain pre-established royalty plateaus were reached in 2007 by a licensee of the Company's Troponin I technology, with a resultant reduction in related revenues of \$641,000. In future years, a portion of this impact should be offset as revenues from a new license agreement, signed in late 2007, are realized.

Selling, general and administrative expenses for the year ended December 31, 2008 were \$3,264,000, compared to \$3,167,000 for the corresponding period in 2007, and are expected to remain at these levels due to the continued maintenance of a low cost operating structure.

Research and development costs for the year ended December 31, 2008 amounted to \$75,000, compared to \$66,000 in 2007. The Company does not expect to incur any significant research and development expenses related to its current business in 2009.

For the three-months ended December 31, 2008, the Company reported a loss of \$303,000 or (\$0.01) per share compared to a loss of \$698,000 or (\$0.03) per share for the corresponding period in 2007. For the year ended December 31, 2008, the Company reported a loss of \$1,666,000 or (\$0.06) per share compared to a loss of \$1,725,000 or (\$0.07) per share for the corresponding period in 2007.

Cash and short term investments at December 31, 2008 totalled \$3,608,000 compared with \$4,204,000 at December 31, 2007. Management expects that the Company will maintain a minimum cash and short term investment balance of \$3,000,000 throughout the 2009 fiscal year.

The total number of shares outstanding for the Company was 24,118,424 as at March 11, 2009.

Notice of Annual General Meeting

Spectral will hold its Annual General Meeting of Shareholders at 4:00PM on May 14, 2009 at the offices of Stikeman, Elliott LLP, Suite 5300, 199 Bay Street, Toronto, Ontario.

About Spectral Diagnostics

Spectral is a developer of innovative technologies for comprehensive disease management. Spectral's lead product is its EAA™ Endotoxin Activity Assay, the only FDA approved diagnostic for the measurement of endotoxin. Spectral technologies provide accurate and timely information to clinicians enabling the early initiation of appropriate and targeted therapy. Spectral is listed on TSX under the symbol SDI.

For further information please contact:

Dr. Paul Walker
President & CEO
416-626-3233 ex. 2100

Casey Gurfinkel
Investor Relations
416-815-0700 ext. 283
cgurfinkel@equicomgroup.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.

Spectral Diagnostics Inc.

Balance Sheets

As at December 31, 2008 and 2007

(in thousands of dollars)

	2008 \$	2007 \$
Assets		
Current assets		
Cash	297	638
Short-term investments	4,000	4,289
Accounts receivable	860	677
Inventories	203	249
Prepaid expenses	42	55
	<hr/> 5,402	<hr/> 5,908
Property, plant and equipment, net	493	379
Commercial instruments, net	132	164
Purchased technology and trademarks, net	1,058	1,529
	<hr/> 7,085	<hr/> 7,980
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	540	379
Deferred revenue	322	150
Convertible notes payable	2,172	2,008
	<hr/> 3,034	<hr/> 2,537
Shareholders' Equity		
Common shares	2,524	2,524
Other equity	5,716	5,606
Deficit	(4,189)	(2,687)
	<hr/> 4,051	<hr/> 5,443
	<hr/> 7,085	<hr/> 7,980

Spectral Diagnostics Inc.

Statements of Operations, Comprehensive Loss and Deficit For the years ended December 31, 2008 and 2007

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

	2008	2007
	\$	\$
Sales	3,011	2,993
Cost of sales	796	855
Gross margin	<u>2,215</u>	<u>2,138</u>
Operating expenses		
Selling, general and administrative	3,264	3,167
Amortization	592	536
Foreign exchange (gain) loss	(117)	102
Stock-based compensation	110	117
Research and product development, net of tax credits	32	(59)
	<u>3,881</u>	<u>3,863</u>
Loss before the following	(1,666)	(1,725)
Interest expense on convertible notes payable	(164)	(165)
Other net interest income	328	224
Loss and comprehensive loss for the year	(1,502)	(1,666)
Deficit - Beginning of year	<u>(2,687)</u>	<u>(1,021)</u>
Deficit - End of year	<u>(4,189)</u>	<u>(2,687)</u>
Basic and diluted loss per common share	<u>(0.06)</u>	<u>(0.07)</u>
Weighted average number of common shares outstanding	<u>24,118,424</u>	<u>24,117,333</u>

Spectral Diagnostics Inc.

Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Loss and comprehensive loss for the year	(1,502)	(1,666)
Items not affecting cash		
Amortization	592	536
Amortization of commercial instruments included in cost of sales	76	63
Loss on disposal of property, plant and equipment	-	46
Writeoff of purchased technology and trademarks	-	66
Stock-based compensation expense	110	117
Interest on convertible note payable	164	165
Changes in non-cash working capital	37	(59)
	<u>(523)</u>	<u>(732)</u>
Investing activities		
Purchase of property, plant and equipment	(235)	(280)
Purchase of technology and trademarks	-	(44)
Purchase of commercial instruments	(44)	(173)
Decrease in short-term investments	289	768
Deferred revenue	172	150
	<u>182</u>	<u>421</u>
Financing activities		
Issuance of common shares	-	4
	<u>-</u>	<u>4</u>
Decrease in cash during the year	(341)	(307)
Cash - Beginning of year	638	945
Cash - End of year	297	638