

## **SPECTRAL ANNOUNCES FIRST QUARTER 2008 RESULTS**

**TORONTO, Canada – May 14, 2008 – Spectral Diagnostics Inc. (TSX: SDI)** today announced its financial results for the first quarter ended March 31<sup>st</sup>, 2008.

“We continued to commercialize our Endotoxin Activity Assay, EAA™, the only FDA cleared diagnostic for the measurement of endotoxin. Our primary strategy for driving clinical adoption is to demonstrate the value of EAA™ in combination with therapeutics,” said Dr. Paul Walker, President and CEO of Spectral Diagnostics. “During the first quarter, we presented new findings showing mortality reduction in endotoxemic patients through the combined use of EAA™ and Toray’s Toraymyxin™ column. We also announced, after the quarter end, that EAA™ will be used in a Phase III sub study for a multi-national clinical trial by a major pharmaceutical company developing a treatment for severe sepsis. We believe that the growing number of anti-endotoxin therapies in development for sepsis continue to provide advantageous opportunities for our EAA™ diagnostic, which can be used to identify patients, enable the therapeutics and monitor treatment.”

### **Highlights**

- Presented new findings showing a mortality reduction in endotoxemic patients through the combined use of Spectral’s Endotoxin Activity Assay, EAA™, the only FDA cleared diagnostic for the measurement of endotoxin, and Toray’s Toraymyxin™ column at the 28<sup>th</sup> International Symposium on Intensive Care and Emergency Medicine in Brussels, Belgium.
- Presented new findings demonstrating the clinical utility of its EAA™ at the 12<sup>th</sup> Annual Critical Care for Endotoxemia congress in Fukuoka, Japan.
- Appointed Mr. Anthony Bihl to the Company’s Board of Directors. Mr. Bihl is the President & CEO of American Medical Systems Inc., and has more than 25 years experience with regulated medical products including diagnostics and diagnostic imaging.
- Subsequent to quarter end, in May, Spectral expanded its relationship with Toray Medical Co. Ltd. to give Spectral access to Toray’s distributors in new geographic territories including Canada, China, India, and Russia for the sales and promotion of the EAA™ test in combination with its Toraymyxin™ blood purification device.
- Subsequent to quarter end, in April, the Company announced that its EAA™ test will be used 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 March 31, 2008, Spectral reported sales of \$664,000, compared to sales of \$841,000 for the corresponding period in 2007. Although EAA™ product sales increased substantially from a year ago, one significant customer for the Company's Troponin I reagent reached certain pre-established royalty plateaus in 2007, resulting in a reduction in related revenues. This accounted for the entire sales decrease in the first quarter. In future years, the impact of this will be offset as revenues from the Bio-Rad license agreement, which was signed in November 2007, are realized.

For the three months ended March 31, 2008, the Company reported a loss of \$448,000 or (\$0.02) per share, compared with a loss of \$207,000 or (\$0.01) per share for the corresponding period in 2007.

Cash and short term investments at March 31, 2008 totalled \$4,494,000. Management expects that the Company will maintain a cash and short term investment balance in excess of \$4 million for the rest of the year.

## 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. 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 - unaudited

As at March 31, 2008 and December 31, 2007

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(in thousands of dollars)

	2008 \$	2007 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	102	638
Short-term investments	4,392	4,289
Accounts receivable	718	677
Inventories	244	249
Prepaid expenses	160	55
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	5,616	5,908
<b>Property, plant and equipment</b>	369	379
<b>Commercial instruments</b>	168	164
<b>Purchased technology and trademarks</b>	1,412	1,529
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	7,565	7,980
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	353	379
<b>Deferred revenue</b>	147	150
<b>Convertible note payable</b>	2,049	2,008
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	2,549	2,537
<b>Shareholders' Equity</b>		
<b>Common shares</b>	2,524	2,524
<b>Other equity</b>	5,627	5,606
<b>Deficit</b>	(3,135)	(2,687)
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	5,016	5,443
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	7,565	7,980

# Spectral Diagnostics Inc.

## Statements of Operations, Comprehensive Loss and Deficit - unaudited For the three months ended March 31, 2008 and 2007

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

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Sales</b>	664	841
<b>Cost of sales</b>	200	225
<b>Gross margin</b>	464	616
<b>Operating expenses</b>		
Selling, general and administrative	792	813
Amortization	154	136
Foreign exchange gain	(5)	(9)
Stock-based compensation	21	29
Research and product development, net of tax credits	14	(125)
	976	844
<b>Loss before the following</b>	(512)	(228)
<b>Interest expense on convertible notes payable</b>	(41)	(42)
<b>Other net interest income</b>	105	63
<b>Loss and comprehensive loss for the period</b>	(448)	(207)
<b>Deficit - Beginning of period</b>	(2,687)	(1,021)
<b>Deficit - End of period</b>	(3,135)	(1,228)
<b>Basic and diluted loss per common share</b>	(0.02)	(0.01)
<b>Weighted average number of common shares outstanding</b>	24,118,424	24,114,001

# Spectral Diagnostics Inc.

Statements of Cash Flows – unaudited

For the three months ended March 31, 2008 and 2007

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(in thousands of dollars)

	2008 \$	2007 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss for the period	(448)	(207)
Items not affecting cash		
Amortization	154	136
Amortization of commercial instruments included in cost of sales	5	33
Stock-based compensation expense	21	29
Interest on convertible notes payable	41	42
Changes in non-cash working capital	(167)	(421)
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	(394)	(388)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(14)	(25)
Purchase of technology and trademarks	-	(44)
Purchase of commercial instruments	(22)	(11)
Increase in short-term investments	(103)	(63)
Decrease in deferred revenue	(3)	-
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	(142)	(143)
<b>Financing activities</b>		
Issuance of common shares	-	4
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<b>Decrease in cash and cash equivalents during the period</b>	(536)	(527)
<b>Cash and cash equivalents - Beginning of period</b>	638	945
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<b>Cash and cash equivalents - End of period</b>	102	418
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