



SPECTRAL ANNOUNCES SECOND QUARTER 2009 RESULTS

TORONTO, Canada – August 13, 2009 – Spectral Diagnostics Inc., (TSX: SDI), a company focused on bringing to market a diagnostic and a therapeutic targeting severe sepsis, today announced its financial results for the second quarter ended June 30, 2009.

“During the quarter, results of the EUPHAS trial in Italy were published in the Journal of American Medical Association (JAMA). The findings showed that the Toraymyxin™ cartridge significantly reduced mortality from sepsis in a prospective controlled trial, further supporting our planned U.S. registration trial for this product,” said Dr. Paul Walker, President and CEO of Spectral. “The degree of reduction in mortality demonstrated by Toraymyxin™ in the EUPHAS trial is an unprecedented result for sepsis therapies. We believe that Toraymyxin™, when used together with our proprietary Endotoxin Activity Assay (EAA™), has the potential to fulfill an unmet need for the approximately 125,000 patients that develop severe sepsis or septic shock in the U.S. each year. Our work towards obtaining an Investigational Device Exemption (IDE) from the U.S. FDA is on schedule and we should be in a position to initiate our registration trial for Toraymyxin™ following IDE approval.”

Financial Review

For the second quarter ended June 30, 2009, Spectral reported revenues of \$776,000, compared to \$785,000 for the corresponding period in 2008. For the six months ended June 30, 2009, revenues were \$1,618,000 compared to \$1,449,000 for the same 2008 period. Sales of the EAA™ diagnostic increased, while royalty and reagent revenues from the Company's proprietary Troponin I products remained consistent with prior year levels.

Operating expenses for the second quarter ended June 30, 2009 were \$1,186,000, compared to \$978,000 for the corresponding period in 2008. For the six months ended June 30, 2009, operating expenses were \$2,229,000 compared to \$1,954,000 in the same 2008 period. The increase in operating expenses in the first half of the year was entirely due to incremental consulting costs related to the development of the clinical pathway for Toraymyxin™ and the foreign exchange impact of a rising Canadian dollar against the U.S. currency. Operating expenses related to the existing business remained consistent with prior year levels.

For the second quarter ended June 30, 2009, the Company reported a loss of \$701,000 or (\$0.03) per share, compared to a loss of \$419,000 or (\$0.02) per share for the corresponding period in 2008. The second quarter loss included the above-mentioned consulting costs and foreign exchange loss, totaling \$248,000, and an unrealized loss on the Company's bond portfolio (\$91,000). For the six months ended June 30, 2009, the Company reported a loss of \$1,105,000 or (\$0.05) per share, compared to a loss of \$867,000 or (\$0.04) per share for the corresponding period in 2008.

Cash and short term investments as at June 30, 2009 totaled \$3,436,000, compared to \$4,297,000 as at December 31, 2008. Management expects that the Company will maintain a cash and short term investment balance of approximately \$3,000,000 for the rest of 2009.



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 to treat endotoxemia, Spectral is well-positioned to promote 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.

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 - unaudited

As at June 30, 2009 and December 31, 2008

(in thousands of dollars)

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	491	297
Short-term investments	2,945	4,000
Accounts receivable	741	860
Inventories	187	203
Prepaid expenses	122	42
	<hr/>	<hr/>
	4,486	5,402
Property, plant and equipment	459	493
Commercial instruments	114	132
Purchased technology and trademarks	823	1,058
	<hr/>	<hr/>
	5,882	7,085
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	446	540
Deferred revenue	236	322
Convertible notes payable	2,254	2,172
	<hr/>	<hr/>
	2,936	3,034
Shareholders' Equity		
Common shares	2,524	2,524
Other equity	5,716	5,716
Deficit	(5,294)	(4,189)
	<hr/>	<hr/>
	2,946	4,051
	<hr/>	<hr/>
	5,882	7,085

Spectral Diagnostics Inc.

Statements of Operations, Comprehensive Loss and Deficit - unaudited For the six months ended June 30, 2009 and 2008

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

	3 Months Ended June 30		6 Months Ended June 30	
	2009 \$	2008 \$	2009 \$	2008 \$
Sales	776	785	1,618	1,449
Cost of sales	166	189	350	389
Gross margin	610	596	1,268	1,060
Operating expenses				
Selling, general and administrative	927	774	1,818	1,566
Amortization	159	164	323	318
Foreign exchange loss	84	7	52	2
Stock-based compensation	-	22	-	43
Research and product development, net of tax credits	16	11	36	25
	1,186	978	2,229	1,954
Loss before the following	(576)	(382)	(961)	(894)
Interest expense on convertible notes payable	(41)	(41)	(82)	(82)
Other net investment (loss) income	(84)	4	(62)	109
Loss and comprehensive loss for the period	(701)	(419)	(1,105)	(867)
Deficit - Beginning of period	(4,593)	(3,135)	(4,189)	(2,687)
Deficit - End of period	(5,294)	(3,554)	(5,294)	(3,554)
Basic and diluted loss per common share	(0.03)	(0.02)	(0.05)	(0.04)
Weighted average number of common shares outstanding	24,118,424	24,118,424	24,118,424	24,118,424

Spectral Diagnostics Inc.

Statements of Cash Flows – unaudited

For the six months ended June 30, 2009 and 2008

(in thousands of dollars)

	3 Months Ended June 30		6 Months Ended June 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Loss and comprehensive loss for the period	(701)	(419)	(1,105)	(867)
Items not affecting cash				
Amortization	159	164	323	318
Amortization of commercial instruments included in cost of sales	22	7	43	12
Stock-based compensation expense	-	22	-	43
Interest on convertible notes payable	41	41	82	82
Unrealized loss on short-term investments	91	-	91	-
Changes in non-cash working capital	344	-	(39)	(167)
	<u>(44)</u>	<u>(185)</u>	<u>(605)</u>	<u>(579)</u>
Financing activities				
Bank indebtedness	<u>(385)</u>	<u>195</u>	<u>-</u>	<u>195</u>
Investing activities				
Purchase of property, plant and equipment	(51)	(101)	(54)	(115)
Purchase of commercial instruments	(3)	-	(25)	(22)
Decrease (increase) in short-term investments	1,001	2	964	(101)
Decrease in deferred revenue	(43)	(5)	(86)	(8)
	<u>904</u>	<u>(104)</u>	<u>799</u>	<u>(246)</u>
Increase (decrease) in cash and cash equivalents during the period	<u>475</u>	<u>(94)</u>	<u>194</u>	<u>(630)</u>
Cash and cash equivalents - Beginning of period	<u>16</u>	<u>102</u>	<u>297</u>	<u>638</u>
Cash and cash equivalents - End of period	<u>491</u>	<u>8</u>	<u>491</u>	<u>8</u>