



SPECTRAL ANNOUNCES THIRD QUARTER 2009 RESULTS

TORONTO, Canada – November 12, 2009 – Spectral Diagnostics Inc., (TSX: SDI) today announced its financial results for the third quarter ended September 30, 2009.

“During the quarter, the Company’s primary focus was on the U.S. regulatory strategy and commercialization of Toraymyxin™ as an effective treatment for severe sepsis. We completed the protocol design for a clinical trial and we are evaluating a number of strategic and financial options that would allow us to start the trial in the first half of 2010,” said Dr. Paul Walker, President and CEO of Spectral. “We strongly believe that the Toraymyxin™, when used together with our proprietary Endotoxin Activity Assay (EAA™), has the potential to fulfill a significant unmet need for the approximately 125,000 patients who develop severe sepsis or septic shock in the U.S. each year.”

Financial Review

For the third quarter ended September 30, 2009, Spectral reported revenues of \$815,000, compared to \$701,000 for the corresponding period in 2008. For the nine months ended September 30, 2009, revenues were \$2,433,000 compared to \$2,150,000 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 third quarter ended September 30, 2009 were \$999,000, compared to \$887,000 for the corresponding period in 2008. For the nine months ended September 30, 2009, operating expenses were \$3,228,000 compared to \$2,841,000 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 and regulatory 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 third quarter ended September 30, 2009, the Company reported a loss of \$429,000 or (\$0.01) per share, compared to a loss of \$332,000 or (\$0.01) per share for the corresponding period in 2008. The third quarter loss included the above-mentioned consulting costs and foreign exchange loss, totaling \$128,000. For the nine months ended September 30, 2009, the Company reported a loss of \$1,534,000 or (\$0.06) per share, compared to a loss of \$1,199,000 or (\$0.05) per share for the corresponding period in 2008. The year to date loss included the above-mentioned consulting costs and foreign exchange loss, totaling \$444,000.

Cash and short term investments as at September 30, 2009 totaled \$3,122,000, 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 September 30, 2009 and December 31, 2008

(in thousands of dollars)

	2009	2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,122	297
Short-term investments	-	4,000
Accounts receivable	688	860
Inventories	207	203
Prepaid expenses	68	42
	<hr/>	<hr/>
	4,085	5,402
Property, plant and equipment	452	493
Commercial instruments	99	132
Purchased technology and trademarks	706	1,058
	<hr/>	<hr/>
	5,342	7,085
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	305	540
Deferred revenue	193	322
Convertible notes payable	2,295	2,172
	<hr/>	<hr/>
	2,793	3,034
	<hr/>	<hr/>
Shareholders' Equity		
Common shares	2,524	2,524
Other equity	5,748	5,716
Deficit	(5,723)	(4,189)
	<hr/>	<hr/>
	2,549	4,051
	<hr/>	<hr/>
	5,342	7,085
	<hr/>	<hr/>



Spectral Diagnostics Inc.

Statements of Operations, Comprehensive Loss and Deficit - unaudited

For the nine months ended September 30, 2009 and 2008

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

	3 Months Ended September 30		9 Months Ended September 30	
	2009 \$	2008 \$	2009 \$	2008 \$
Sales	815	701	2,433	2,150
Cost of sales	232	171	582	560
Gross margin	583	530	1,851	1,590
Operating expenses				
Selling, general and administrative	748	729	2,566	2,295
Amortization	155	160	478	478
Foreign exchange loss (gain)	59	(28)	111	(26)
Stock-based compensation	32	22	32	65
Research and product development, net of tax credits	5	4	41	29
	999	887	3,228	2,841
Loss before the following	(416)	(357)	(1,377)	(1,251)
Interest expense on convertible notes payable	(41)	(41)	(123)	(123)
Other net investment (loss) income	28	66	(34)	175
Loss and comprehensive loss for the period	(429)	(332)	(1,534)	(1,199)
Deficit - Beginning of period	(5,294)	(3,554)	(4,189)	(2,687)
Deficit - End of period	(5,723)	(3,886)	(5,723)	(3,886)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.06)	(0.05)
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 nine months ended September 30, 2009 and 2008

(in thousands of dollars)

	3 Months Ended September 30		9 Months Ended September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Loss and comprehensive loss for the period	(429)	(332)	(1,534)	(1,199)
Items not affecting cash				
Amortization	155	160	478	478
Amortization of commercial instruments included in cost of sales	22	6	65	18
Stock-based compensation expense	32	22	32	65
Interest on convertible notes payable	41	41	123	123
Unrealized loss on short-term investments	-	-	91	-
Changes in non-cash working capital	(54)	139	(93)	(28)
	<u>(233)</u>	<u>36</u>	<u>(838)</u>	<u>(543)</u>
Financing activities				
Bank indebtedness	-	(195)	-	-
Investing activities				
Purchase of property, plant and equipment	(31)	(32)	(85)	(147)
Purchase of commercial instruments	(7)	-	(32)	(22)
Decrease in short-term investments	2,945	359	3,909	258
Decrease in deferred revenue	(43)	(3)	(129)	(11)
	<u>2,864</u>	<u>324</u>	<u>3,663</u>	<u>(78)</u>
Increase (decrease) in cash and cash equivalents during the period	<u>2,631</u>	<u>165</u>	<u>2,825</u>	<u>(465)</u>
Cash and cash equivalents - Beginning of period	<u>491</u>	<u>8</u>	<u>297</u>	<u>638</u>
Cash and cash equivalents - End of period	<u>3,122</u>	<u>173</u>	<u>3,122</u>	<u>173</u>