MATERIAL CHANGE REPORT

PURSUANT TO

Section 85(1)(b) of the *Securities Act* (British Columbia)
Section 146(1)(b) of the *Securities Act* (Alberta)
Section 75(2) of the *Securities Act* (Ontario)
Section 73 of the *Securities Act* (Quebec)

1. REPORTING ISSUER

Spectral Diagnostics Inc. (the "**Corporation**")
135-2 The West Mall
Toronto, Ontario, M9C 1C2

2. DATE OF MATERIAL CHANGE

December 17, 2003.

3. PRESS RELEASE

A press release disclosing the material change was issued by the Corporation on December 18, 2003. A copy of the press release is annexed hereto as Appendix "A".

4. SUMMARY OF MATERIAL CHANGE

The Corporation has announced that it has entered into a transaction, effective December 31, 2003, with Canadian Medical Discoveries Fund Inc. ("**CMDF**"), Canadian Medical Discoveries Fund II Inc. ("**CMDF II**"), Michael Mueller ("**Mueller**") and Rix Clinical Laboratories Ltd. ("**Rix**") (CMDF, CMDF II, Mueller and Rix are collectively referred to as the "**Investors**") to form IDx Inc. ("**IDx**") (the "**Transaction**"). The focus of IDx will be on the research and development of innovative, rapid, diagnostic assays for certain infectious diseases.

5. FULL DESCRIPTION OF MATERIAL CHANGE

Pursuant to the Transaction, IDx will be established under the laws of Ontario to develop and commercialize a diagnostic immunoassay testing platform to assist in the development and assessment of diagnostic techniques related to certain infectious diseases. The Corporation, the Investors and IDx entered into a financing agreement dated as of December 31, 2003 (the "**Financing Agreement**"), pursuant to which the Corporation will contribute a nominal amount of cash and license IDx intellectual property valued at $2 million in consideration for 200,000 common shares in the capital of IDx (the "**IDx Common Shares**") and 200,000 preferred shares in the capital of IDx (the "**IDx Preferred Shares**") or a 50% equity interest in IDx. The Investors, collectively, will contribute just over $2 million in cash in consideration for 200,000 IDx Common Shares and 200,000 IDx Preferred Shares (or a 50% equity interest in IDx) and will further subscribe for $4 million in aggregate principal amount of subordinated debentures (the "**IDx Debentures**") of IDx.

In connection with the Transaction, the Corporation will grant to the Investors an aggregate of 500,000 warrants (the "**Warrants**"), each Warrant entitling the holder to acquire, upon the exercise of the Warrants in accordance with their terms and the payment of the exercise price of $3.00 per common share, 500,000 common shares in the capital of the Corporation (the "**Common Shares**"). The Warrants will be exercisable until November 8, 2003. The Corporation and the Investors also entered into a securities exchange agreement dated as of December 31, 2003 (the "**Securities Exchange Agreement**"), pursuant to which the Investors received the right to exchange all, but not less than all, of their IDx Common Shares, IDx Preferred Shares (plus any accrued but unpaid dividends thereon) and IDx debentures (plus any accrued but unpaid interest thereon) for a promissory note of the Corporation (the "**Promissory Note**") with a ten day term. Under the terms of the Promissory Note and the Securities Exchange Agreement, the Corporation can repay the Promissory Note with either: (A) cash; (B) Common Shares; (C) a unit consisting of a 10% convertible subordinated debenture (which the Corporation can subsequently repay in either cash or Common Shares) and additional Warrants which will entitle the holder to acquire Common Shares; or (D) any combination of the foregoing.

The number of Common Shares that may be issued upon the exercise of these exchange rights will be calculated based upon the greater of a "threshold price" of $2.55 per Common Share and the weighted average trading price of the Common Shares on the TSX at the relevant time. In no case will the total number of Common Shares issued or issuable in connection with this transaction exceed 4,251,258 Common Shares.

The results of IDx will be consolidated with the Corporation for accounting purposes.

6. RELIANCE ON CONFIDENTIALITY SECTION OF THE ACT

Not applicable.

7. OMITTED INFORMATION

Not applicable.

8. SENIOR OFFICER – FOR FURTHER INFORMATION CONTACT

For further information please contact Dr. Paul Walker, Chief Executive Officer of the Corporation, at 416-626-3233.

9. STATEMENT OF SENIOR OFFICER

The forgoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 18th day of December, 2003.

SPECTRAL DIAGNOSTICS INC.

By: (Signed) "Rose Papastamos"

Rose Papastamos

Chief Financial Officer

APPENDIX "A"

FOR IMMEDIATE RELEASE

December 18, 2003

CONTACT:

At: Spectral Diagnostics Inc.
Paul Walker, M.D., PhD
Chief Executive Officer
416-626-3233

SEDAR
Filer Profile Number: 00002006

SPECTRAL DIAGNOSTICS INC. ANNOUNCES THE FORMATION OF A JOINT VENTURE COMPANY FOCUSSED ON RESEARCH AND DEVELOPMENT

TORONTO, ON – December 18, 2003 – Spectral Diagnostics Inc. (TSX: SDI) and a group of investors led by the Canadian Medical Discoveries Fund Inc. (CMDF) today announced entering into agreements, effective December 31, 2003, that establish a joint venture company, IDx Inc. The new private company's focus will be on the research and development of innovative, rapid, diagnostic assays for certain infectious diseases. Spectral will contribute a nominal amount of cash and intellectual property valued at $2 million in consideration for a 50% equity interest in IDx. The investor group led by CMDF will contribute $2 million in cash for a 50% equity interest in IDx and subscribe for $4 million in subordinated debentures. For products developed under the joint venture, IDx will receive marketing rights for Canada and other world markets. Spectral will retain the exclusive marketing rights for the United States market.

Under the terms of the transaction, CMDF and the other investors have been granted warrants to acquire 500,000 common shares of Spectral at an exercise price of $3.00 per common share. The warrants are exercisable until November 3, 2008. The investor group has also been granted the right to exchange their combined interest in IDx for cash or securities in Spectral under specific circumstances at a later date. The number of Spectral common shares that may be issued upon the exercise of these exchange rights will be calculated based on the greater of a "threshold price" and the weighted average trading price of Spectral's common shares on the TSX at the relevant time. In no case will the total number of Spectral common shares issued or issuable in connection with this transaction exceed 4,251,258 common shares.

Dr. Paul M. Walker, President and CEO of Spectral Diagnostics Inc. stated, "The formation of this joint venture will focus Spectral's research and development activities and enable the acceleration of new products to the market. Spectral's core activities will continue to be strategic manufacturing and global sales and marketing of approved products through our major distributors. We are particularly pleased to be working with CMDF and the advisory and management services of MDS Capital Corp. in this venture, as they bring global experience in the funding and management of new technologies for commercial success."

"Working with Spectral Diagnostics presents the opportunity to leverage the research, manufacturing and marketing experience of a leader in the area of point-of-care testing." said Dan Nixon, Vice President, CMDF and Managing Director, Private Equity, MDS Capital Corp. "The joint venture between CMDF and Spectral will allow the focus of research and development resources that, together with an impressive knowledge network and capital, could lead to the successful commercialization of infectious disease diagnostic products for which there is a clear and unmet need in the global market. IDx believes that it will have the appropriate combination of resources that it will require to develop these products over the next few years."

About CMDF

Canadian Medical Discoveries Fund Inc. is Canada's most mature health science labour-sponsored venture capital fund, with more than $330 million in managed assets. Established in 1994 and available across Canada, CMDF has venture capital investments in approximately 50 companies involved in health sciences, biotechnology, diagnostics, medical devices, drug discovery and development, health care delivery services and e-health.

About MDS Capital

MDS Capital, with more than $1 billion under management, is a leading North American venture capital company focused exclusively on providing financial support and other services to help build emerging life science companies. The company provides a continuum of capital, from early stage through late stage, by raising capital in public retail funds and private institutional limited partnerships. Additional information about MDS Capital is available at www.mdscapital.com.

About Spectral Diagnostics

Spectral Diagnostics is a developer of innovative technologies for comprehensive disease management. Spectral provides accurate and timely information to clinicians enabling the early initiation of appropriate and targeted therapy. Current products are rapid format tests measuring markers of myocardial infarction (Cardiac STATus® test). New products include rapid diagnostics for sepsis (the Endotoxin Activity Assay). Spectral manufactures the EAA and Cardiac STATus® products. Spectral's common shares are listed on the Toronto Stock Exchange: SDI.

This press release contains certain forward-looking statements and information based on beliefs of the Company's senior management as well as assumptions made by, and information currently available to it. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks and uncertainties. Actual results, events, and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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