Spectral Announces Second Quarter Results

TORONTO, Aug. 15, 2019 -- **Spectral Medical Inc., (TSX: EDT)**, a Phase III company developing the first treatment for patients with septic shock guided by a companion diagnostic, today announced its unaudited financial results for the second quarter ended June 30, 2019.

Financial Review

Revenue for the three-months ended June 30, 2019 was $1,041,000 compared to $234,000 for the same three-month period last year. For the six-months, ended June 30, 2019, revenues were $1,588,000 compared to $1,397,000 in the first half of 2018.The increase is due to the completion of certain performance obligations related to the licensing and technology transfer agreement entered into at the end of 2018. The increase was offset, in part, by a reduction in royalty revenue generated from contacts related to the Company's biological reagents that expired at the end of 2018.

Operating costs for the quarter ended June 30, 2019 were $2,093,000 compared to $1,744,000 for the same period in 2018. Operating costs for the six-months ended June 30, 2019 were $3,633,000, an increase of $12,000 from $3,621,000. The fluctuation is primarily due to the timing and a reduction in the amount for share compensation expense. Share options were granted in the second quarter of 2019, whereas share options were granted in the first quarter of 2018. Operating costs are expected to increase once Tigris trial activities commence. The Company continues to maintain a low cost operating structure for its base business operations.

For the three-months ended June 30, 2019, the Company reported a loss of $1,052,000 ($0.005 per share) compared to a loss of $1,510,000 ($0.007 per share) for the three-months ended June 30, 2018. The loss for the six-months ended June 30, 2019 was $2,045,000 ($0.009 per share) compared to $2,224,000 ($0.01 per share) for the same six-month period in the prior year.

The Company concluded the second quarter of 2019 with cash on hand of $3,800,000 compared to $4,368,000 as of December 31, 2018.

The total number of shares outstanding for the Company was 225,816,183 as at June 30, 2019.

About Spectral

Spectral is a Phase III company seeking U.S. FDA approval for its unique product for the treatment of patients with septic shock, Toraymyxin™ ("PMX"). PMX is a therapeutic hemoperfusion device that removes endotoxin, which can cause sepsis, from the bloodstream and is guided by the Company's Endotoxin Activity Assay (EAA™), the only FDA cleared diagnostic for the risk of developing sepsis.

PMX has been approved for therapeutic use in Japan and Europe, and has been used safely and effectively on more than 170,000 patients to date. In March 2009, Spectral obtained the exclusive development and commercial rights in the U.S. for PMX, and in November 2010, signed an exclusive distribution agreement for this product in Canada. Approximately 350,000 patients are diagnosed with severe sepsis and septic shock in North America each year.

Spectral, through its wholly owned subsidiary, Dialco Medical Inc.("Dialco"), is also commercializing a new proprietary platform, "SAMI", targeting the renal replacement therapy ("RRT") market. Dialco is also seeking regulatory approval for "DIMI" which is based on the same RRT platform, but will be intended for home hemodialysis use.

Spectral is listed on the Toronto Stock Exchange under the symbol EDT. For more information, please visit www.spectraldx.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.

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Spectral Medical Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	June 30, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash	3,800	4,368
Trade and other receivables	313	1,433
Inventories	295	197
Prepayments and other assets	391	192
Contract asset	-	126
	4,799	6,316
Non-current assets		
Right-of-use-asset	766	-
Property and equipment	335	377
Intangible asset	272	284
Total assets	6,172	6,977
Liabilities		
Current liabilities		
Trade and other payables	472	500
Contract liability	146	107
Current portion of lease liability	73	-
	691	607
Non-current liability		
Lease liability	707	-
Total liabilities	1,398	607
Equity		
Share capital	66,796	66,646
Contributed surplus	7,981	7,981
Share-based compensation	5,912	5,564
Warrants	1,881	1,930
Deficit	(77,796)	(75,751)
Total equity	4,774	6,370
Total liabilities and equity	6,172	6,977

Spectral Medical Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the six-months ended June 30, 2019 and 2018
(Unaudited)

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

	Three-months ended		Six-months ended	
	2019 $	2018 $	2019 $	2018 $

Revenue	1,041	234	1,588	1,397
Expenses				
Changes in inventories of finished goods and work- in-process	136	32	211	57
Inventory write-down	-	38	-	38
Raw materials and consumables used	87	57	147	125
Salaries and benefits	951	739	1,660	1,904
Consulting and professional fees	381	552	641	762
Regulatory and investor relations	191	81	277	279
Travel and entertainment	74	34	162	62
Depreciation and amortization	69	58	140	119
Foreign exchange loss (gain)	63	8	105	(22)
Interest expense on lease liability	10	-	19	-
Other expenses	131	145	271	297
	2,093	1,744	3,633	3,621
Loss and comprehensive loss for the period	(1,052)	(1,510)	(2,045)	(2,224)
Basic and diluted loss per common share	(0.005)	(0.007)	(0.009)	(0.010)
Weighted average number of common shares outstanding	225,675,249	221,666,203	225,633,448	214,664,360

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six-months ended June 30, 2019 and 2018

(Unaudited)

(in thousands of Canadian dollars)

	Issued capital		Contributed surplus	Share-based compensation	Warrants	Deficit	Total equity
	Number	$	$	$	$	$	$
Balance, January 1, 2018	207,459,022	63,225	7,849	4,914	132	(73,262)	2,858
Private placement	17,694,661	3,267	-	-	1,930	-	5,197
Share options exercised	437,500	154	-	(63)	-	-	91
Warrant expiry	-	-	132	-	(132)	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(2,224)	(2,224)
Share-based compensation	-	-	-	693	-	-	693
Balance, June 30, 2018	225,591,183	66,646	7,981	5,544	1,930	(75,486)	6,615
Loss and comprehensive loss for the period	-	-	-	-	-	(265)	(265)
Share-based compensation	-	-	-	20	-	-	20
Balance, December 31, 2018	225,591,183	66,646	7,981	5,564	1,930	(75,751)	6,370
Balance, January 1, 2019	225,591,183	66,646	7,981	5,564	1,930	(75,751)	6,370
Warrants exercised	225,000	150	-	-	(49)	-	101
Loss and comprehensive loss for the period	-	-	-	-	-	(2,045)	(2,045)
Share-based compensation	-	-	-	348	-	-	348
Balance, June 30, 2019	225,816,183	66,796	7,981	5,912	1,881	(77,796)	4,774

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the six-months ended June 30, 2019 and 2018

(Unaudited)

(in thousands of Canadian dollars)

	2019 $	2018 $
Cash flows provided by (used in)		
Operating activities		
Loss and comprehensive loss for the period	(2,045)	(2,224)
Adjustments for:		
Depreciation on right-of-use asset	47	-
Depreciation on property and equipment	81	107
Amortization of intangible asset	12	12
Interest expense on lease liability	19	-
Share-based compensation	348	693
Loss on disposal of property and equipment	7	-
Changes in items of working capital :		
Trade and other receivables	1,120	326
Inventories	(98)	(41)
Prepayments and other assets	(199)	(220)
Contract asset	126	(126)
Trade and other payables	(28)	(1)
Contract liability	39	-
Net cash provided by (used in) operating activities	(571)	(1,474)
Investing activities		
Property and equipment expenditures	(46)	(41)
Net cash used in investing activities	(46)	(41)
Financing activities		
Proceeds from private placement	-	5,308
Transaction costs paid	-	(111)
Lease liability payments	(52)	-
Share options exercised	-	91
Warrants exercised	101	-
Net cash provided by financing activities	49	5,288
(Decrease) increase in cash	(568)	3,773
Cash, beginning of period	4,368	1,449
Cash, end of period	3,800	5,222