

# MERGENT INDUSTRIAL

NEW LISTING

December 13, 2011



This Supplemental News Reports is published as required, is part of the annual MERGENT INDUSTRIAL and INTERNATIONAL Manuals and will be included in the bound 2011 December Monthly News Reports and is published on our Website.

## SPECTRAL DIAGNOSTICS, INC.

Company Website: [www.spectraldx.com](http://www.spectraldx.com)

**History:** Incorporated in Canada under the Business Corporations Act (Ontario) on July 29, 1991.

In Jan. 1994, Co. acquired Primicare B.V. ("Primicare"), the Netherlands, and its patented membrane technology for rapid plasma separation from whole blood. Co. acquired all of the shares and obligations of Primicare for approximately C\$4,500,000.

During 1999, Co. and its subsidiary company, Sepsis Inc. entered into agreements with HiChem Diagnostics, a business unit of Elan Pharmaceuticals, resulting in the acquisition by Elan of 7.5% of the fully diluted share capital of Sepsis from the shareholders of Sepsis for approximately US\$2,000,000, the execution of a research and development funding agreement, and an exclusive world wide license and supply agreement allowing Elan to market Sepsis' diagnostic products.

In Feb. 2001, Co. acquired 65% of Sepsis Inc. for 2,500,000 common shares of Co.

On June 18, 2001, Co. acquired an additional 28% of Sepsis Inc. Subsequently, Co.'s ownership interest increased to 93%.

On Aug. 9, 2002, Co. purchased the remaining 30% interest in Carepoint held by Princeton, its former joint venture partner, for a non-interest bearing promissory note of US\$1,000,000, payable in three equal annual installments commencing July 31, 2003. The acquisition has been accounted for using the purchase method of accounting.

On Dec. 31, 2003, Co. and a group of investors acquired IDx Inc. Co. ("IDx") contributed certain rights to intellectual property and know-how in exchange for 200,000 non-voting, convertible, preferred shares and contributed cash consideration of C\$2,000 in exchange for 200,000 voting common shares, representing a 50% equity interest in IDx.

On Apr. 1, 2005, Co. amalgamated with its wholly owned subsidiary Sepsis Inc. under the OBCA and continued as Spectral Diagnostics Inc.

On Feb. 6, 2006, Co. sold its rapid cardiac immunoassay test business to Nanogen Inc. for total consideration of C\$9,000,000 consisting of C\$5,650,000 in cash and C\$3,350,000 in freely tradable common shares of Nanogen, which were sold in fiscal 2007 at their carrying value. Nanogen has assumed all responsibilities for sales, marketing and manufacturing operations related to this business.

On Sept. 14, 2009, Co. incorporated a U.S. subsidiary, Spectral Diagnostics (US) Inc.

On June 28, 2010, Spectral Diagnostics (New Brunswick) Inc. was incorporated.

On Mar. 28, 2011, Co. announced a non-brokered agreement whereby Medwell Capital Corp. ("Medwell") and a consortium of buyers purchased in private transactions 12,449,501 common shares and 962,500 common share purchase warrants of Co. from GrowthWorks Canadian Fund Ltd., representing 15.6% of the issued and outstanding shares. Under the terms of the transaction, Medwell acquired ownership and control over 6,449,501 common shares of Co. at a price of C\$0.268508 per share and 962,500 common share purchase warrants of Co. at a price of C\$0.01 per warrant for an aggregate cost of C\$1,741,367.60. A consortium of other buyers, including institutional investors from Europe, purchased 6,000,000 common shares of Co. at a price of C\$0.27 per share for an aggregate cost of C\$1,620,000.

**Business:** Spectral Diagnostics is engaged in the development and commercialization of diagnostic tests that provide information for the early identification of life-threatening disease in a time-frame that allows physicians to improve patient outcomes by early intervention and lower costs through utilization of health care resources. Co.'s products include Endotoxin Activity Assay for the identification of patients at risk of developing sepsis, biological reagents, and a rapid test for West Nile Virus.

**Property:** Co. maintains its registered office in an approximately 9,000 square foot of leased office, manufacturing and laboratory space in Toronto, Ontario.

### Subsidiaries

Spectral Diagnostics (US) Inc.  
Spectral Diagnostics (New Brunswick) Inc.

### Officers

R. Ian Lennox, Chairman  
Paul M. Walker, President; Chief Executive Officer  
Anthony Businkas, Executive Vice President; Chief Financial Officer; Corporate Secretary  
Robert A. Verhagen, Vice President - Business Development  
Debra M. Foster, Vice President - Clinical Development

### Directors

R. Ian Lennox, Chairman; Director  
Paul M. Walker, Director  
Anthony P. Bihl, III, Director  
Kevin Giese, Director  
Guillermo Herrera, Director  
Edward E. McCormack, Director  
Laine Woollard, Director

**Auditors:** PricewaterhouseCoopers LLP

**Legal Counsel:** Stikeman Elliott LLP

**Shareholder Relations:** Adam Peeler, Equicom Investor Relations **Tel:** 416-315-0700

**Annual Meeting:** In May

**No. of Employees:** Dec. 31, 2010, 15

**Address:** 135-2 The West Mall, Etobicoke, Ontario, M9C 1C2, Canada **Tel:** 416 626-3233 **Fax:** 416 626-2739 **E-mail:** [info@spectraldx.com](mailto:info@spectraldx.com) **Web:** [www.spectraldx.com](http://www.spectraldx.com)

**Consolidated Income Account, years ended Dec. 31 (Can\$):**

	2010	2009 (revised)	2008 (revised)
Sales	2,821,000	3,283,000	3,011,000
Cost of sales	674,000	836,000	796,000
Gross margin	2,147,000	2,447,000	2,215,000
Selling, gen & admin exps	4,060,000	3,607,000	3,264,000
Clinical trial	2,053,000	503,000	
Serv fees	1,000,000		
Amort exps	644,000	635,000	592,000
Fgn exch loss (gain)	64,000	128,000	(117,000)
Stk-based compens	792,000	78,000	110,000
Research & prod development, net of credits	24,000	68,000	32,000
Tot oper exps	8,637,000	5,019,000	3,881,000
Income (loss) bef the following	(6,490,000)	(2,572,000)	(1,666,000)

Int exp on conv notes pay	164,000	164,000	164,000
Other net invest income (loss)	87,000	(28,000)	328,000
Net income (loss) for the yr	(6,567,000)	(2,764,000)	(1,502,000)
Common shares:			
Weigh avg no of com shares			
outstg - basic	67,210,554	24,118,424	24,118,424
Weigh avg no of com shares			
outstg - diluted	67,210,554	24,118,424	24,118,424
Yr end shares			
outstg	80,550,061	24,118,424	24,118,424
Net earnings (loss) per com sh - basic	Can\$(0.10)	Can\$(0.11)	Can\$(0.06)
Net earnings (loss) per com sh - diluted	Can\$(0.10)	Can\$(0.11)	Can\$(0.06)
<input type="checkbox"/> Reclassified to conform with 2010 presentation. <input checked="" type="checkbox"/> Reclassified to conform with 2009 presentation.			

**Consolidated Balance Sheet, as of Dec. 31 (Can\$):**

	2010	2009 (revised)
<b>Assets:</b>		
Cash & cash equivs	10,311,000	2,944,000
Short-term invest	5,021,000	
Accts receiv	595,000	781,000
Raw mater & suppl	57,000	21,000
Work-in-prog	13,000	5,000
Finished goods	139,000	97,000
Inventories	209,000	123,000
Ppd exps	31,000	45,000
Tot curr assets	16,167,000	3,893,000
Laboratory equipment, cost	1,005,000	811,000
Less: accum amort - laboratory equip	523,000	384,000
Laboratory equipment, net	482,000	427,000
Office equip & furniture, cost	332,000	318,000
Less: accum amort - office equip	314,000	307,000
Office equip & furniture, net	18,000	11,000
Computer equipment, cost	159,000	142,000
Less: accum amort - computer equip	142,000	136,000
Computer equipment, net	17,000	6,000
Lshld improvements, cost	66,000	66,000
Less: accum amort - lshld improv	57,000	53,000
Lshld improvements, net	9,000	13,000
Prop plt & equipment, cost	1,562,000	1,337,000
Less: tot accum amort	1,036,000	880,000
Prop plt & equipment, net	526,000	457,000

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Coml instruments, net .....	94,000	Tot shhlders eq .....	15,747,000	1,365,000	2010	2009	2008	2007	
Purch tech & licenses, net .....	602,000	Tot liabil & shhlders eq .....	17,295,000	5,032,000	High .....	0.79	0.59	0.75	1.28
Tot assets .....	17,295,000	☐ Reclassified to conform with 2010 presentation.			Low .....	0.28	0.07	0.37	
Liabilities:		<b>Capital Stock: 1. Spectral Diagnostics, Inc. com-</b>			PRIVATE PLACEMENTS — (500,000 shares) pri-				
Accts pay & accrued liabil .....	1,322,000	OUTSTANDING — Dec. 31, 2010, 80,550,061 shs; no par.			vately placed at C\$3.60 per share in Apr. 2000.				
Curr port of conv notes pay .....	2,336,000	WARRANTS — 27,068,750 shs.			(2,300,000 units) at C\$2.55 per share privately placed on Aug. 18, 2003 for gross proceeds of C\$5,865,000.				
Tot curr liabil .....	1,322,000	OPTIONS — Dec. 31, 2010, reserved for options, 8,055,006; available for grant, 4,187,506; outstanding, 3,867,500.			Each unit consisted of one common share of the Co. and one-half of one common share purchase warrant.				
Defer rev .....	226,000	TRANSFER AGENT & REGISTRAR — Computer- share Trust Company of Canada, Toronto, Ontario, Canada			(2,700,000 units) at C\$1.35 per share privately placed on Nov. 18, 2004 for gross proceeds of C\$3,662,000.				
Tot liabil .....	1,548,000	PRIMARY EXCHANGE — Toronto (TSX): SDI			Each unit consisted of one common share of Co. and one-half of one warrant.				
Com shares .....	17,538,000	SECONDARY EXCHANGE — National Bulletin Board (NBB): DIAG F			(48,750,000 units) at C\$0.40 per unit privately placed on Mar. 2, 2010 for gross proceeds of C\$19,500. Each unit consists of one common share of Co. and one half of one common share purchase warrant.				
Other eq .....	11,729,000	PRICE RANGE —			(33,333,333 shares) at C\$0.30 per share privately placed on Sept. 9, 2011 for gross proceeds of C\$10,000,000.				
Retain earnings (accum deficit) ...	(13,520,000)								
	(6,953,000)								