

This short form base shelf prospectus has been filed under legislation in each of the provinces of Canada, other than Québec, that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Spectral Medical Inc., 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2, Telephone 1 (888) 426-4264 and are also available electronically under the Spectral Medical Inc. profile at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue

July 3, 2020



SPECTRAL MEDICAL INC.

\$50,000,000

**COMMON SHARES
DEBT SECURITIES
SUBSCRIPTION RECEIPTS
WARRANTS
UNITS**

Spectral Medical Inc. (the “Company” or “Spectral”) may, from time to time, offer and issue the following securities: (i) common shares (“Common Shares”); (ii) senior and subordinated unsecured debt securities, including debt securities convertible or exchangeable into other securities of Spectral (collectively, “Debt Securities”); (iii) subscription receipts (“Subscription Receipts”); (iv) warrants (“Warrants”); and/or (v) units comprised of one or more of the other securities described in this prospectus (“Units”, and together with the Common Shares, Debt Securities, Subscription Receipts, and Warrants, the “Securities”), having an aggregate offering price of up to \$50,000,000 during the 25 month period that this short form base shelf prospectus (the “Prospectus”), including any amendments hereto, remains valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement (a “Prospectus Supplement”).

Financial statements incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Investing in the Securities involves significant risks. Prospective investors should carefully read and consider the risk factors described or referenced under the heading “Risk Factors” in this Prospectus, contained in any of the documents incorporated by reference herein, and in any applicable Prospectus Supplement, before purchasing Securities.

The specific variable terms of any offering of Securities will be set out in the applicable Prospectus Supplement including, where applicable: (i) in the case of Common Shares, the persons(s) offering the Common Shares, the number of Common Shares offered and the offering price (or the manner of determination thereof if offered on a non-fixed price basis); (ii) in the case of the Debt Securities, the specific designation of the Debt Securities, whether such Debt Securities are senior or subordinated, the aggregate principal amount of the Debt Securities being offered, the currency or currency unit in which the Debt Securities may be purchased, authorized denominations, any limit on the aggregate principal amount of the Debt Securities of the series being offered, the issue and delivery date, the maturity date, the offering price (at par, at a discount or at a premium), the interest rate or method of determining the interest rate, the interest payment date(s), any conversion or exchange rights that are attached to the Debt Securities, any redemption provisions, any repayment provisions and any other specific terms; (iii) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the procedures for the exchange of Subscription Receipts for Common Shares or Debt Securities, as the case may be, the currency or currency unit in which the Subscription Receipts are issued and any other specific terms; (iv) in the case of Warrants, the designation, number and terms of the Common Shares or Debt Securities or other Securities purchasable upon exercise of the Warrants, any procedures that will result in the adjustment of those numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; and (v) in the case of Units, the designation and terms of the Units and of the Securities comprising the Units, the currency or currency unit in which the Units are issued and any other specific terms. A Prospectus Supplement may include other specific variable terms pertaining to the Securities that are not within the alternatives and parameters described in this Prospectus.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

The Company may sell the Securities to or through underwriters or dealers purchasing as principals and may also sell the Securities to one or more purchasers directly subject to obtaining any required exemptive relief or through agents. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, if any, engaged by the Company in connection with the offering and sale of Securities and will set forth the terms of the offering of such Securities, the method of distribution of such Securities including, to the extent applicable, the proceeds to us, and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution. Securities may be sold from time to time in one or more transactions at a fixed price or fixed prices, or at non-fixed prices. If offered on a non-fixed price basis, Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers at the time of sale, which prices may vary between purchasers and during the period of distribution. If Securities are offered on a non-fixed price basis, the underwriters', dealers' or agents' compensation will be increased or decreased by the amount by which the aggregate price paid for Securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriters, dealers or agents to us. See “Plan of Distribution”.

The outstanding Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “EDT” and in the United States on the OTC Pink Open Market operated by OTC Markets Group under the symbol “EDTXF”. **There is currently no market through which the Debt Securities, Subscription Receipts, Warrants and Units may be sold and purchasers may not be able to resell any Debt Securities, Subscription Receipts, Warrants or Units purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See “Risk Factors” below and the “Risk Factors” section of the applicable Prospectus Supplement.**

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers' acceptance rate, or to recognized market benchmark interest rates such as SOFR, SONIA or €STR.

Subject to applicable laws, in connection with any offering of Securities, the underwriters, dealers or agents may over-allot or effect transactions which stabilize or maintain the market price of the Securities at levels other than those which may prevail on the open market. A purchaser who acquires any Securities forming part of the underwriters, dealers or agents' over-allocation position acquires those securities under the applicable Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. Such transactions, if commenced, may be interrupted or discontinued at any time. See "Plan of Distribution".

The Company's head and registered office is located at 135 The West Mall, Unit 2, Toronto, Ontario, M9C 1C2.

Anthony Bihl and Jun Hayakawa, directors of the Company, reside outside of Canada. The persons named below have appointed the following agent for service of process:

<u>Name of Person or Company</u>	<u>Name and Address of Service Agent</u>
Anthony Bihl	Spectral Medical Inc. 135 The West Mall, Unit 2 Toronto, Ontario, M9C 1C2 Canada
Jun Hayakawa	Spectral Medical Inc. 135 The West Mall, Unit 2 Toronto, Ontario, M9C 1C2 Canada

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

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NOTICE TO READERS

This Prospectus provides a general description of the Securities that we may offer. Each time we sell Securities under this Prospectus, we will provide you with a Prospectus Supplement that will contain specific information about the terms of that offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Before investing in any Securities, you should read both this Prospectus and any applicable Prospectus Supplement, together with the additional information described below and in the applicable Prospectus Supplement under “Documents Incorporated by Reference”.

Investors should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement. We have not authorized anyone to provide investors with different or additional information. We are not making an offer of Securities in any jurisdiction where the offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this Prospectus to the “Company”, “Spectral”, “we”, “us” and “our” refer to Spectral Medical Inc. and/or, as applicable, one or more of its subsidiaries.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Prospectus, and the documents incorporated herein by reference, include forward-looking statements and information (collectively, “Forward-Looking Statements”) within the meaning of securities laws. Forward-Looking Statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business, strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives. In some cases, Forward-Looking Statements can be identified by terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or other similar expressions concerning matters that are not historical facts. These statements are based on certain factors and assumptions regarding, among other things, expected growth, results of operations, receipt of regulatory approvals, performance and business prospects and opportunities. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Forward-Looking Statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements, or developments in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such Forward-Looking Statements. Forward-Looking Statements in this Prospectus and the documents incorporated by reference herein include, but are not limited to: the future business strategies, competitive strengths, goals, expectations and growth of the Company’s business, operations and plans; the successful and timely completion of the Company’s pre-clinical studies and clinical trials; the estimated costs associated with the Company’s clinical trials, potential side effects and product failure that could delay or prevent regulatory approval or commercialization; the granting of necessary approvals by regulatory authorities; the expected pricing of the Company’s products upon achieving commercialization; the availability and sufficiency of funds and resources to pursue development projects; the Company’s need for additional financing; the volatile market price of the Common Shares; the Company’s ability to take advantage of business opportunities in the biomedical industry; the Company’s ability to retain and attract key management and other experienced personnel; market acceptance of current and new products; competition from new or existing diagnostics or medical devices; patent infringement by the Company and the Company’s protection of its intellectual property in foreign jurisdictions; uncertainties in health care reimbursement and reform; manufacturing and marketing capability; reliance on key distributors and various contractors; reliance on third party manufacturing; as well as general economic, market and business conditions, including the ongoing impact of COVID-19.

Prospective purchasers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such Forward-Looking Statements will prove to be accurate as actual

results and future events could differ materially from those anticipated in such information and statements. Accordingly, prospective purchasers should not place undue reliance on Forward-Looking Statements, including the documents incorporated herein by reference, as statements containing Forward-Looking Statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The Forward-Looking Statements contained herein are presented for the purposes of assisting prospective purchasers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes.

The Forward-Looking Statements contained in this Prospectus, including the documents incorporated herein by reference, represent the Company's views and expectations as of the date of this Prospectus and Forward-Looking Statements contained herein represent the Company's views as of the date of hereof. The Company anticipates that subsequent events and developments may cause its views to change. However, while the Company may elect to update such Forward-Looking Statements at a future time, it has no current intention of doing so except to the extent required by applicable law.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed by us with securities commissions or similar authorities in Canada. Our disclosure documents listed below and filed with the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada, except Québec, are specifically incorporated by reference into and form an integral part of this Prospectus:

- (a) the Company's annual information form dated March 26, 2020 (the "AIF");
- (b) the Company's management's discussion and analysis of results of operations and financial condition for the fiscal year ended December 31, 2019 (the "MD&A");
- (c) the Company's audited consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and related notes together with the independent auditor's report thereon (the "Annual Financial Statements");
- (d) the Company's management information circular dated May 1, 2020 for the annual meeting of shareholders held on June 4, 2020;
- (e) the Company's management's discussion and analysis for the three-month period ended March 31, 2020;
- (f) the Company's unaudited condensed interim consolidated financial statements as at March 31, 2020 and for the three months ended March 31, 2020 and 2019 and related notes;
- (g) the material change report of the Company dated February 4, 2020 relating to the Company's distribution agreement with Baxter International Inc. (NYSE: BAX) ("Baxter") in respect of Toraymyxin™ PMX-20R (the "Baxter MCR"); and
- (h) the material change report of the Company dated June 19, 2020 relating to the closing of the Company's marketed public offering of 8,500,000 units of the Company by way of short form prospectus in all the provinces of Canada, except Québec (the "Offering").

Any document of the type referred to above, including any material change report (other than any confidential material change report), any business acquisition report, any Prospectus Supplements disclosing additional or updated information, and any "template version" of "marketing materials" (each as defined in National Instrument 41-101 – *General Prospectus Requirements*) subsequently filed by us with such securities commissions or regulatory authorities in Canada after the date of this Prospectus, and prior to the termination of the distribution under this Prospectus, shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or

superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

When we file a new annual information form and audited consolidated financial statements and related management's discussion and analysis with and, where required, they are accepted by, the applicable securities regulatory authorities during the time that this Prospectus is valid, the previous annual information form, the previous audited consolidated financial statements and related management's discussion and analysis and all unaudited interim consolidated financial statements and related management's discussion and analysis for such periods, all material change reports and any information circular and business acquisition report filed prior to the commencement of our financial year in which the new annual information form is filed will be deemed no longer to be incorporated by reference in this Prospectus for purposes of future offers and sales of Securities under this Prospectus. Upon new interim financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the term of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the filing of the new interim financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

PRESENTATION OF FINANCIAL INFORMATION

Spectral presents its financial statements in Canadian dollars and its financial statements are prepared in accordance with IFRS. Unless otherwise indicated, financial information included or incorporated by reference in this Prospectus has been prepared in accordance with IFRS. Certain calculations included in tables and other figures in this Prospectus have been rounded for clarity of presentation.

RISK FACTORS

An investment in the Securities involves certain risks. A prospective purchaser of Securities should carefully consider the risks and uncertainties described in the documents incorporated by reference into this Prospectus (including subsequent filed documents incorporated by reference into this Prospectus) and, if applicable, those described in a Prospectus Supplement relating to a specific offering of Securities. Discussions of certain risks and uncertainties affecting our business are provided in our AIF and our MD&A (or, as applicable, our annual information form and our management's discussion and analysis for subsequent periods), each of which is incorporated by reference into this Prospectus. These are not the only risks and uncertainties that we face. Additional risks not presently known to us or that we currently consider immaterial may also materially and adversely affect us. If any of the events identified in these risks and uncertainties were to actually occur, our business, financial condition or results of operations could be materially harmed.

In addition, prospective purchasers of Securities should carefully consider, in light of their own financial circumstances, the risk factors set out below, as well as the other information contained in this Prospectus (including the documents incorporated by reference herein) and in all subsequently filed documents incorporated by reference and those described in a Prospectus Supplement relating to a specific offering of Securities, before making an investment decision.

There is no existing public market for the Debt Securities, Subscription Receipts, Warrants or Units and a market may not develop

There is currently no market through which the Debt Securities, Subscription Receipts, Warrants or Units may be sold and purchasers of Debt Securities, Subscription Receipts, Warrants or Units may not be able to resell such Debt Securities, Subscription Receipts, Warrants or Units purchased under this Prospectus. There can be no assurance that an active trading market will develop for the Debt Securities, Subscription Receipts, Warrants or Units after an offering or, if developed, that such market will be sustained. This may affect the pricing of the Debt

Securities, Subscription Receipts, Warrants or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Debt Securities, Subscription Receipts, Warrants or Units and the extent of issuer regulation.

The public offering prices of the Securities may be determined by negotiation between the Company and underwriters, dealers or agents based on several factors and may bear no relationship to the prices at which the Securities will trade in the public market subsequent to such offering, if any public market develops. See “Plan of Distribution”.

Potential Dilution

The Company’s constituting documents allow the Company to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the Company’s board of directors (the “**Board**”), in many cases, without the approval of our shareholders. The Company may issue Common Shares in public or private offerings (including through the sale of Securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable for Common Shares. The Company may also issue Common Shares to finance or as consideration for future acquisitions and other projects or in connection with the establishment or development of strategic relationships. Any such future issuances of Common Shares could be significant and the Company cannot predict the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for our Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and we may experience dilution in our earnings per share.

Volatility of Market Price of Securities

The market price of the Securities may be volatile. The volatility may affect the ability of holders to sell the Securities at an advantageous price. Market price fluctuations in the Securities may be due to the Company’s operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts’ estimates, governmental regulatory action, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading “Cautionary Statement on Forward-Looking Information”. In addition, the market price for securities on stock markets, including the TSX, is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of the Securities.

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading “Cautionary Statement on Forward-Looking Information”.

Positive Return not Guaranteed

A positive return on an investment in the Securities is not guaranteed. There is no guarantee that an investment in the Securities will earn any positive return in the short term or long term. An investment in the Securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Securities is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Leverage Risk

The Company's degree of leverage could have material adverse consequences for the Company, including, but not limited to: limiting the Company's ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting the Company's flexibility and discretion to operate its business; limiting the Company's ability to declare dividends on its Common Shares; having to dedicate a portion of the Company's cash flows from operations to the payment of interest on its existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; exposing the Company to increased interest expense on borrowings at variable rates; limiting the Company's ability to adjust to changing market conditions; placing the Company at a competitive disadvantage compared to its competitors that have less debt; making the Company vulnerable in a downturn in general economic conditions; and making the Company unable to make capital expenditures that are important to its growth and strategies.

Limited Cash and Liquidity Position

The Company closely monitors its liquidity position and expects, but cannot guarantee that it will, have adequate sources of funding to finance the Company's operations in the future.

Prevailing interest rates will affect the market price or value of Debt Securities

The market price or value of Debt Securities will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

The Debt Securities will not be secured by assets of Spectral

Holders of secured indebtedness of Spectral would have a claim on the assets securing such indebtedness that effectively ranks prior to the claim of holders of Debt Securities and would have a claim that ranks senior to the claim of holders of subordinated Debt Securities to the extent that such security did not satisfy the secured indebtedness. Furthermore, although covenants given by Spectral in various agreements may restrict incurring secured indebtedness, such indebtedness may, subject to certain conditions, be incurred by us in the future.

Subordination

The Debt Securities will be subordinated indebtedness as described in the relevant Prospectus Supplement. In the event of the insolvency or winding-up of Spectral, any subordinated Debt Securities would be subordinated and postponed in right of payment to the prior payment in full of all other liabilities and indebtedness of Spectral, other than indebtedness that, by its terms, ranks equally with, or subordinate to, such subordinated Debt Securities.

Discretion in the Use of Proceeds

Management of the Company will have discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditure. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering other than as described under the heading "Use of Proceeds" if they believe it would be in the Company's best interest to do so and in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

Negative Cash Flow from Operations

During the fiscal year ended December 31, 2019, and the three months ended March 31, 2020, the Company had negative cash flows from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, all or a portion of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities.

Need for Additional Capital

The Company will require substantial additional funds to complete the commercialization of its products. While the Company currently expects to fund such commercialization activities from its ongoing operations, it is possible that such funds from operations will be insufficient, in which case the Company will need to seek additional external funding through public or private equity or debt financing, joint venture arrangements, and/or from other sources. There can be no assurance that additional funding will be available on acceptable terms or at all to enable us to continue and complete the successful commercialization of our products.

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company expects to fund its business objectives by way of additional offerings of equity and/or debt financing or milestone payments from certain strategic partners. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved. See “Risk Factors – Negative Cash Flow from Operations”.

Strategic Investors Exercise Control over the Company

As at the date of this Prospectus, Toray holds approximately 19.3% of the issued and outstanding Common Shares and Birch Hill holds approximately 15.2% of the issued and outstanding shares. By virtue of their shareholdings, the Strategic Investors will be able to exert a significant degree of influence over the Company’s management and affairs. Due to their aggregate shareholdings, to the extent that each of them similarly votes for or against matters that are submitted to shareholders for approval, such as significant corporate transactions or those involving a change of control, such votes may be determinative of the outcome, which may not be beneficial to the other shareholders of the Company. The concentration of ownership may facilitate, delay or prevent a change in control of the Company and may affect the market price of the Common Shares. In some cases, the interests of the Strategic Investors may not be the same as those of the Company’s other shareholders or each other, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or its other shareholders.

No Dividend Payments

The Company does not currently intend to pay any cash dividends on its Common Shares in the foreseeable future. The Company has never paid any cash dividends on its Common Shares. The Company does not anticipate paying any cash dividends on its Common Shares in the foreseeable future because, among other reasons, the Company currently intends to retain any future earnings to finance its business. The future payment of cash dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, the Company’s general financial condition and other factors the Board may consider appropriate in the circumstances.

COVID-19 Outbreak

Catastrophic events in general can have a material impact on the potential continuity of the business. The continued spread of COVID-19 globally could adversely affect our business as healthcare providers may have heightened exposure to COVID-19 if an outbreak occurs in their geography. The Company’s operations may also be negatively impacted if the pandemic results in a diversion of intensive care unit resources, a change in patient intake patterns and needs or reduced availability of physicians and/or support staff, which in turn could have a negative impact on enrollment TIGRIS and timelines for completion of TIGRIS. Further, the COVID-19 outbreak could result in adverse effects on our business and operations due to prioritization of clinic resources toward the outbreak

or if quarantines and/or restrictions (such as travel restrictions) impede physician, staff or patient movement or interrupt healthcare services.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically and could result in volatility and disruption to global supply chains, mobility of people and the financial markets, which could affect the business, financial condition, results of operations and other factors relevant to the Company. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital.

The global outbreak of COVID-19 continues to evolve rapidly. The extent to which COVID-19 may impact the Company's business, operations and financial performance will depend on future developments, including but not limited to, matters such as (a) the duration and/or severity of the outbreak, (b) government policies, restrictions and requirements as they relate to social distancing, forced quarantines and other requirements, (c) non-governmental influences or challenges such as the failure of banks and/or (d) any kind of ripple effect caused by the substantial economic damage that can be inflicted on society by a pandemic like COVID-19 such as lawlessness. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

As of the date of the Prospectus, there has not been a material adverse impact on the Company's business due to the COVID-19 pandemic. The Company is in close contact with all of its suppliers, manufacturers and distributors and it has not experienced any material issues such as business interruption, requests for change in terms, supply shortages or similar negative impacts. Further, as of the date hereof, TIGRIS has been minimally impacted by the COVID-19 pandemic. Recruitment for the trial slowed at the beginning of March 2020, with patient enrollment mostly impacted at three sites which had finalized training and had been activated in late 2019. The other six sites that were open for enrollment had finalized their clinical training in late January and early February and it typically takes three months post-clinical training for sites to enroll their first patient. Accordingly, these six sites were not projected to reach their normalized enrollment rate until sometime in and around June 2020.

Should the COVID-19 pandemic in the US prolong limited ICU access at TIGRIS sites, there is a risk that last patient enrollment could be delayed. The Company has developed mitigation strategies to reduce or eliminate any timing delays, including: (i) COVID-19 supplemental Investigational Device Exemption ("IDE") protocol keeps existing TIGRIS clinician skills current for EAA and PMX; (ii) potentially increasing the number of sites in TIGRIS. The Company is evaluating potential sites for its FDA supplemental IDE, which could subsequently be added to TIGRIS; (iii) data collected under the supplemental IDE protocol could be used as supportive of the PMA for PMX; and (iv) the Company has developed comprehensive on-line training and site support to mitigate any travel restrictions. Costs for TIGRIS are variable and are driven directly by patient enrollment. Any delays to TIGRIS, due to patient enrollment or otherwise, do not have a material adverse impact on the overall costs of TIGRIS.

The COVID-19 pandemic has increased demand for SAMI and since such sales and installations are able to be done virtually, there has been no impact on the Company's ability to commercialize SAMI. The regulatory process for DIMI with the FDA continues and has only been minimally delayed as of the date hereof. The Company anticipates, at most, a one quarter delay in the regulatory pathway for DIMI and the Company still anticipates obtaining regulatory approvals for DIMI in 2020.

SUMMARY DESCRIPTION OF THE BUSINESS

The Company was incorporated as Spectral Diagnostics Inc. pursuant to the *Business Corporations Act* (Ontario) (the "OBCA") on July 29, 1991. Pursuant to Articles of Amendment, effective March 16, 1992, the Company (i) re-designated, reclassified and changed its authorized capital to provide that the authorized capital consists of an unlimited number of one class of shares designated as "Common Shares"; and (ii) deleted the private company provisions from its articles.

On April 1, 2005, the Company amalgamated with its wholly owned subsidiary, Sepsis Inc., under the OBCA and continued as Spectral Diagnostics Inc. The Company's year-end was changed to December 31, effective

as at the end of the 2006 calendar year. Effective December 31, 2014, the Company changed its name to “Spectral Medical Inc.”.

The Company has one wholly owned U.S. subsidiary, Spectral Diagnostics (US) Inc., which was incorporated on September 14, 2009 under Section 102 of the General Law of the State of Delaware. The Company has one wholly owned Canadian subsidiary, Dialco Medical Inc. (“Dialco”), which was incorporated on March 15, 2019 pursuant to the OBCA.

The head and registered office of the Company is located at 135 The West Mall, Unit 2, Toronto, Ontario M9C 1C2.

Business of the Company

The Company’s strategic focus is on the development and commercialization, in North America, of the first theranostic treatment for endotoxemic septic shock utilizing its Endotoxin Activity Assay™ diagnostic (“EAA”) and the Toraymyxin™ (“PMX”) therapeutic. This unique approach first identifies patients with high endotoxin levels that could benefit from a targeted therapy and then applies a treatment that removes endotoxin from the blood stream. PMX has been approved for therapeutic use in Japan and Europe, and has been used on more than 200,000 patients to date with a less than 0.1% rate of a serious adverse event (“SAE”).

The Company also manufactures and sells certain proprietary reagents.

The *EAA*™ is a rapid in-vitro diagnostic test that measures negative bacterial cell wall (endotoxin) activity in a whole blood sample. Increased blood levels of endotoxin are indicative of invasive infection or severe leakage of endotoxin from the gut. Endotoxin initiates a systemic response which can rapidly lead to organ dysfunction, septic shock and ultimately death. According to the Centers for Disease Control and Prevention (the “CDC”), the incidence of sepsis is approximately 1.7 million cases annually in the United States (with 270,000 sepsis related deaths), of which 330,000 patients are expected to develop septic shock. Accordingly, septic shock is considered a leading cause of death in U.S. intensive care units. The Company believes that out of the number of patients expected to develop septic shock, approximately 120,000 would fit within the Company’s TIGRIS clinical trial for PMX (NCT03901807) (“TIGRIS”) patient population ranges established using the Company’s EUPHRATES trial and data available from the National Inpatient Sample database. Such target patient group faces a greater than 40% mortality rate with limited treatment options. Rapid (results in less than one hour) diagnostic tests to determine the presence of sepsis have not previously been available. The currently utilized microbiological tests for sepsis typically requires a minimum of approximately 24 hours to confirm the presence of a potentially infectious micro-organism and up to 72 hours to definitively rule out such presence. The Company received Health Canada approval for the *EAA*™ in December 2002 and clearance from the Food and Drug Administration (“FDA”) in June 2003. Currently, the *EAA*™ is the first FDA cleared test for risk stratification of patients for developing severe sepsis and one of two products, the other being a procalcitonin test, on the market. The *EAA*™ is the only assay available to determine the endotoxin burden in patients with sepsis.

PMX is a therapeutic hemoperfusion device that removes endotoxin from the bloodstream. PMX is manufactured in Japan by Toray Industries Inc. (“Toray”). The Company has certain exclusive rights to develop, commercialize and exploit PMX. These include an exclusive license in the United States and Puerto Rico to Toray’s intellectual property rights in and to PMX and exclusive distribution rights in Canada. The PMX device is manufactured by Toray and has demonstrated in clinical trials that it safely and effectively removes endotoxin and reduces mortality in patients with severe sepsis and the overall cost of treatment for patients suffering from sepsis.

Recruiting for TIGRIS is currently underway in the U.S. TIGRIS is designed to show a minimum 10% difference in mortality rates among the patient population. The trial’s primary completion date is expected to occur in late 2021, with the final completion study date expected to occur during the first quarter of 2022. TIGRIS is a follow-on study that builds upon knowledge gained from EUPHRATES, a large prospective randomized blinded trial performed in North America and completed in 2016. EUPHRATES relied on a modular PMA (as defined below) with the FDA having reviewed the first three modules; the Company expects to build TIGRIS with the benefit of such reviews and recommendations. A report based on data compiled from EUPHRATES demonstrated mortality benefits to certain randomized subjects included in the trial as well as benefits across secondary endpoints

that reduced the overall cost of treatment to patients who received PMX. The data review showed that patients with an EAA greater than 0.9 showed no benefit from PMX intervention. When those patients were removed, a 10% benefit to treatment was observed, which formed the basis for the FDA submission and for the design of TIGRIS. The importance of removing endotoxin was further studied by looking at the amount of endotoxin that was removed compared with the outcome of mortality. The probability of survival at day 28 among 76 randomized subjects with above median EAA reduction was 85.7% for those subjects who received PMX compared with 61% for those subjects who did not receive PMX. The findings of a study done on the results from EUPHRATES suggest that reducing EAA levels with PMX as measured by comparison to a median reduction or when a treatment target is established, may result in improvements in mortality and organ function outcomes. The results from EUPHRATES have been published in both the Journal of American Medical Association and Intensive Care Medicine, and there have been over 300 published papers and approximately 10,000 patients entered into PMX trials worldwide.

TIGRIS is a prospective randomized, open labelled trial of 150 patients with a 2:1 randomization favoring the treatment arm. This follow-on trial is focused specifically on the population of patients that showed a benefit in EUPHRATES, being a prior population of 179 patients from U.S. sites with a proposed target weight of 75% given to such prior population (compared to a weight of 100% given to new patients in TIGRIS). The new patients under TIGRIS will be subject to the same inclusion and exclusion criteria used in EUPHRATES. The costs of TIGRIS are estimated to be up to approximately \$11 million. To date, the Company has spent approximately \$2.6 million on TIGRIS. The trial enrollment time is anticipated to be 18 months, which commenced at three sites actively screening patients in October 2019 and a further six sites actively screening patients in February 2020. A tenth site is expected to be actively screening patients by mid-2020. The Company anticipates that a potential pre-market approval (“PMA”) from the FDA following the completion of TIGRIS could be granted in 2022. An approved PMA provides 7-10 years of market exclusivity in the United States for PMX due to the fact that any competitor would have to repeat a similar trial and show efficacy.

The Company believes that PMX will be a premium priced product in the United States with gross margins anticipated at over 70%. The Company believes that pricing of a PMX column could be approximately US\$7,500 in the United States, based on current European pricing of approximately US\$6,000 per PMX column and information provided by an independent consultant to the Company. Based on the experience of the Company’s management team with respect to medical device distribution agreements, the Company anticipates a range from 40-60% revenue sharing on PMX with potential for up to 40% U.S. market penetration through strategic distribution partnerships.

Dialco, a wholly owned subsidiary of the Company, is currently seeking regulatory approval of DIMI, a renal replacement instrument aimed at the home hemodialysis (“HHD”) market, in Canada and the U.S. Dialco obtained the exclusive licence for commercializing DIMI in US and Canada from Infomed SA, a Swiss based medical device company which developed, and is manufacturing DIMI. Applications for approval of DIMI were submitted to the FDA in late 2019 and the Company expects to obtain regulatory approvals in 2020. Any further costs associated with the FDA regulatory approval for DIMI are expected to be minimal and all such costs are reflected in the Company’s financial statements and operating cashflow projections.

SAMI, Dialco’s proprietary continuous renal replacement therapy (“CRRT”) instrument, utilizes an open platform design, specifically intended to assist health care providers to deliver therapy safely and efficiently. SAMI’s built in intelligence is intended to reduce complexity while increasing efficiency and reducing consumable cost while delivering customized therapy. SAMI may also function to help protect organs during the harvesting process. SAMI, which is Health Canada licensed and FDA cleared, continues successful clinical evaluation in key hemodialysis centres in North America, as the Company continues to advance towards term commercialization. SAMI has a strong commercialization pipeline through the Company’s participation in certain RFPs and clinical evaluation activity. The Company is in active negotiation in three centres in the U.S. and Canada with respect to SAMI and added two major hospitals as customers for SAMI.

The Company believes that the growing niches of acute care and home care within the U.S. dialysis market that would be served by the DIMI and SAMI could be a market in excess of US\$1 billion dollars. This estimate is based on a 2016 report which showed estimates of a then current market for CRRT estimated at US\$200 million with a growth rate of 10% per year and a then current market for HHD estimated at US\$500 million with a growth rate of 14% per year. The Company is second to market in the U.S. for HHD and in Canada for both CRRT and

HHD. At the current time, there is limited competition in these niche markets with only Baxter (Canada and U.S. for CRRT) and NxStage Medical, Inc. (for HHD and for US only CRRT) as the Company's competitors.

The following chart outlines the current development stages of the Company's products:

Product	Device Development	Clinical Studies	Regulatory	Manufacturing	Commercialization
EAA	Completed	Completed	FDA, HC, CE marked	On site at the Company's facility in Toronto	Globally through a non-exclusive agreement with Baxter and through select non-exclusive distributors for Europe/Asia
PMX	Completed	Ongoing phase III clinical study in US (TIGRIS)	HC, CE marked. Regulatory trial underway in US.	Toray	Baxter to commercialize in North America (Canada has been approved, US approval outstanding)
SAMI	Completed	Completed	FDA, HC	Manufacturing Partner in Switzerland	Direct by Spectral in North America
DIMI	Completed	510k human factor trials required	Regulatory submission to HC. 510k submission to FDA for in hospital use.	Manufacturing Partner in Switzerland	Commercialization path to be determined. The Company is reviewing alternatives

The Company also develops, produces and markets recombinant cardiac proteins, antibodies and calibrators. These are sold for use in research and development as well as in products manufactured by other diagnostic companies.

Additional information with respect to the Company's business is provided in the AIF, which is incorporated by reference in this Prospectus.

Recent Developments

On June 18, 2020 the Company announced it had closed the Offering to raise gross proceeds of \$5,100,000. The Offering was led by Paradigm Capital Inc. ("Paradigm") and consisted of the issuance of 8,500,000 units of the Company (the "Offered Units") (including the partial exercise of an over-allotment option (the "Over-Allotment Option")). Each Unit consisted of one common share (each a "Unit Share") and one-half of one common share purchase warrant (the "Offered Warrants"), each whole Offered Warrant entitling the holder thereof to acquire one common share at a price of \$0.75 per share until June 18, 2022. In connection with the Offering, Paradigm was also issued 510,000 broker warrants (the "Broker Warrants"), each Broker Warrant entitling the holder thereof to acquire one common share at a price of \$0.60 per share until June 18, 2022. Pursuant to the Over-Allotment Option, Paradigm may offer for sale up to an additional 1,083,410 Offered Units until July 18, 2020.

On April 20, 2020 the Company announced that Health Canada had issued an Interim Order expanding the already approved indications for use of the Company's PMX cartridges specifically for patients with COVID-19. The Interim Order allows for the use of PMX to treat COVID-19 patients, particularly those with acute respiratory failure, diffuse alveolar damage or difficulty with maintaining oxygenation, in the presence of hypotensive shock.

On April 14, 2020 the Company announced the FDA approved a supplemental IDE for the use of the Company's PMX cartridges in the treatment of patients with COVID-19. The IDE approval provides the opportunity for the use of PMX in COVID-19 patients suffering from septic shock and recognizes that there is sufficient safety

and effectiveness data to allow clinicians to use PMX to treat patients that are similar to patients in TIGRIS, who are also COVID-19 positive. Additionally, the IDE approval allows for an initial 20 sites and 75 patient enrollment, with data collection requirements. COVID-19 patients have been treated at multiple U.S. hospitals, with an average of 2.5 PMX columns per patient, the majority of such patients having a rapid and positive response based on lowering oxygen and vasopressor requirements. Further, SAMI has been used to treat COVID-19 patients with renal failure at a prominent U.S. university-based hospital and the Company has recorded the first instance of *EAA*TM, PMX and SAMI being simultaneously utilized to treat a single patient.

On February 4, 2020, the Company announced that it had entered into a distribution agreement (the “Baxter Distribution Agreement”) with Baxter for PMX and the *EAA*TM. The initial term of the Baxter Distribution Agreement is 10 years with an automatic renewal term for two additional 5-year periods. As part of the Baxter Distribution Agreement, Baxter has agreed to pay the Company a series of milestone payments including a US\$5 million upfront rights payment. Baxter will be the Company’s exclusive distributor of the PMX filter in the U.S. and Canada and has non-exclusive rights to distribute the *EAA*TM globally. The Company will receive access to Baxter’s market capabilities while retaining control over the PMX regulatory approval process. Baxter has the option to maintain exclusive rights for PMX through future milestone payments and maintaining certain performance obligations, including a milestone payment within 60 days receipt of TIGRIS interim data (60% patient enrolment) (the “Baxter Interim Payment”) and within 90 days of FDA approval of PMX (such payment varies based on a Relative Morality Benefit threshold).

The Baxter Distribution Agreement outlines the responsibilities of both the Company and Baxter with respect to commercialization of PMX. The Company is solely responsible for all costs and expenses over the PMX regulatory process (including TIGRIS). The costs of TIGRIS are estimated to be up to approximately \$11 million. As exclusive distributor under the Baxter Distribution Agreement, Baxter is required to use commercially reasonable efforts to commercialize PMX at its sole expense. Baxter has the sole responsibility and control over, and will bear all costs and expenses of, the marketing materials and strategy for commercializing PMX in North America.

With respect to the PMX regulatory pathway, TIGRIS is expected to take approximately 18 months with final patient enrollment currently expected in the fourth quarter of 2021. After final patient enrollment, the TIGRIS database is locked. Data analytics of, and the regulatory submission for, PMX will be prepared by the Company for FDA submission with a targeted submission date in the fourth quarter of 2021 or the first quarter of 2022. The Company anticipates that the FDA review will be accelerated given the Company’s submission is a PMA, such PMA being comprised of four modules. The Company has already completed and submitted three modules which were reviewed and accepted by the FDA. As such, the Company anticipates FDA approval for PMX could be received in the first or second quarter of 2022.

The Company understands that Baxter would typically begin sales and marketing activity twelve months in advance of an anticipated FDA approval date and further understands that Baxter usually implements more robust marketing initiatives 60 days in advance of an anticipated FDA approval date. As of the date of the Prospectus, Baxter has not initiated any sales of PMX in Canada and the Company expects Baxter to move forward with harmonized commercialization of PMX in North America in connection with the anticipated FDA approval in 2022. The Company therefore expects commercial revenue in connection with PMX to begin upon receipt of FDA approval in 2022. The Company’s costs through the end of TIGRIS until the launch of PMX are limited to training and technical support to Baxter and its employees. These support costs are expected to be negligible to the Company as these functions will be carried out by existing employees. See “Risk Factors”.

The Baxter Distribution Agreement provides the Company access to Baxter’s large installed base of critical care devices in hospitals across the U.S. and Canada. While the *EAA*TM is currently cleared by the FDA, Baxter plans to commercialize the *EAA*TM and PMX filter together following successful completion of TIGRIS and subsequent FDA approval. The Company and Baxter will form a joint steering committee of equal representation to facilitate dialogue with respect to the activities contemplated under the Baxter Distribution Agreement.

Additional information with respect to the Baxter Distribution Agreement is provided in the Baxter MCR, which is incorporated by reference in this Prospectus.

Significant Milestones

The Company anticipates the following significant milestones within the next twelve (12) months:

- (a) FDA 510k approval for in hospital use of DIMI, anticipated in the second or third quarter of 2020. The Company does not anticipate any further significant costs related to such regulatory approval process. See “Risk Factors”.
- (b) Payment of the Baxter Interim Payment. Baxter has the right to exercise its option to maintain exclusivity with respect to PMX at 60% interim enrollment of TIGRIS and must exercise its option within 60 days of the trial reaching such percentage enrollment. The Company expects to reach its 60% interim enrollment in the first quarter of 2021, unless the COVID-19 pandemic in the US prolongs limited ICU access at TIGRIS sites. See “Risk Factors”.

Additional information with respect to the Company’s business is provided in the AIF, which is incorporated by reference in this Prospectus.

CONSOLIDATED CAPITALIZATION

There have been no material changes in our share or loan capital, on a consolidated basis, since the date of the Annual Financial Statements, other than as outlined under the heading “Prior Sales”. As at July 2, 2020, the Company had 236,605,745 Common Shares issued and outstanding, as well as:

- (a) stock options to acquire 8,926,062 Common Shares (with a weighted average exercise price of \$0.46 per stock option);
- (b) common share purchase warrants exercisable for 11,722,331 common shares (7,472,331 of such warrants with an exercise price of \$0.45 per warrant and expiring on April 20, 2021 and 4,250,000 of such warrants with an exercise price of \$0.75 per warrant and expiring on June 18, 2022);
- (c) 510,000 Broker Warrants, each Broker Warrant with an exercise price of \$0.60 per Broker Warrant and expiring on June 18, 2022; and
- (d) pursuant to the Over-Allotment Option, up to 1,083,410 Offered Units may be sold by Paradigm until July 18, 2020 at a price of \$0.60 per Offered Unit.

EARNINGS COVERAGE RATIOS

The applicable Prospectus Supplement will provide, as required, the earnings coverage ratios with respect to the issuance of Securities pursuant to such Prospectus Supplement.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, we intend to use the net proceeds from the sale of Securities for general corporate purposes. Specific information about the use of net proceeds of any offering of Securities under this Prospectus will be set forth in the applicable Prospectus Supplement. We may invest funds which we do not immediately use. Such investments may include short-term marketable investment grade securities denominated in Canadian dollars, United States dollars or other currencies. We may, from time to time, issue securities other than pursuant to this Prospectus.

SHARE STRUCTURE

Spectral’s authorized share capital consists of an unlimited number of Common Shares. As at July 2, 2020, the Company had 236,605,745 Common Shares issued and outstanding.

DIVIDENDS AND DISTRIBUTIONS

The Company has not, since the date of its incorporation, declared or paid any dividends on the Common Shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Spectral anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future, if any, will be determined by the Board in their sole discretion based upon, among other factors, the cash flow, results of operations and financial condition of the Company, the need for funds to finance ongoing operations, and such other business considerations as the Board considers relevant.

DESCRIPTION OF SECURITIES OFFERED

Common Shares

The summary below of the rights, privileges, restrictions and conditions attaching to the Common Shares is subject to, and qualified in its entirety by reference to, the Company's articles and by-laws, which may be accessed electronically under Spectral's profile on SEDAR at www.sedar.com. Common Shares may be sold separately or together with Debt Securities, Subscription Receipts or Warrants under this Prospectus. Common Shares may also be issuable on conversion, exchange, exercise or maturity of certain Debt Securities, Subscription Receipts or Warrants qualified for issuance under this Prospectus.

Holders of Common Shares are entitled to receive notice of, attend and vote at, all meetings of the shareholders of the Company (except with respect to matters requiring the vote of a specified class or series voting separately as a class or series) and are entitled to one vote for each Common Share on all matters to be voted on by shareholders at meetings of the Company's shareholders. Holders of Common Shares are entitled to receive such dividends, if, as and when declared by the Board, in their sole discretion. All dividends which the Board may declare shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding. On liquidation, dissolution or winding up of the Company, the holders of Common Shares will be entitled to receive the property of the Company remaining after payment of all outstanding debts on a pro rata basis, but subject to the rights, privileges, restrictions and conditions of any other class of shares issued by the Company. There are no pre-emptive, redemption or conversion rights attaching to the Common Shares. All Common Shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

Debt Securities

The following sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of a series of Debt Securities offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Debt Securities, will be described in the applicable Prospectus Supplement. One or more series of Debt Securities may be sold separately or together with Common Shares, Subscription Receipts or Warrants under this Prospectus, or on conversion or exchange of any such Securities.

Priority

The Debt Securities will be senior or subordinated indebtedness of Spectral as described in the relevant Prospectus Supplement. If the Debt Securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of Spectral, from time to time issued and outstanding, which is not subordinated.

If the Debt Securities are subordinated indebtedness, they will rank equally and rateably with all other subordinated Debt Securities from time to time issued and outstanding. In the event of the insolvency or winding-up of Spectral, the subordinated Debt Securities will be subordinated and postponed in right of payment to the prior payment in full of all other liabilities and indebtedness of Spectral, other than indebtedness that, by its terms, ranks equally with, or subordinate to, such subordinated Debt Securities.

The Debt Securities are Unsecured Obligations

The Debt Securities will be direct unsecured obligations of Spectral.

Terms of the Debt Securities

In conformity with applicable laws of Canada, for all bonds and notes of companies that are publicly offered, the Debt Securities will be governed by a document called an “indenture”. There will be a separate indenture for the senior Debt Securities and the subordinated Debt Securities. An indenture is a contract between a financial institution, acting on your behalf as trustee of the Debt Securities offered, and us. The trustee has two main roles. First, subject to some limitations on the extent to which the trustee can act on your behalf, the trustee can enforce your rights against us if we default on our obligations under the indenture. Second, the trustee performs certain administrative duties for us. The aggregate principal amount of Debt Securities that may be issued under each indenture is unlimited. A copy of the form of each indenture to be entered into in connection with offerings of Debt Securities will be filed with the securities regulatory authorities in Canada when it is entered into. A copy of any indenture or supplement thereto entered into by us will be filed with securities regulatory authorities and will be available on our SEDAR profile at www.sedar.com.

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers’ acceptance rate, or to recognized market benchmark interest rates such as SOFR, SONIA or €STR.

Selected provisions of the Debt Securities and the indenture(s) under which such Debt Securities will be issued are summarized below. This summary is not complete. The statements made in this Prospectus relating to any indenture and Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable indenture.

The indentures will not limit the amount of Debt Securities that we may issue thereunder. We may issue Debt Securities from time to time under an indenture in one or more series by entering into supplemental indentures or by our Board or a duly authorized committee authorizing the issuance. The Debt Securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

The Prospectus Supplement for a particular series of Debt Securities will disclose the specific terms of such Debt Securities, including the price or prices at which the Debt Securities to be offered will be issued. The terms and provisions of any Debt Securities offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. Those terms may include some or all of the following:

- (a) the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- (b) the indenture under which such Debt Securities will be issued and the trustee(s) thereunder;
- (c) the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- (d) whether such Debt Securities are senior or subordinated and, if subordinated, the applicable subordination provisions of the Debt Securities;

- (e) the percentage of the principal amount at which such Debt Securities will be issued;
- (f) the date or dates on which such Debt Securities will mature;
- (g) the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- (h) the dates on which any such interest will be payable and the record dates for such payments;
- (i) any redemption term or terms under which such Debt Securities may be defeased;
- (j) whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- (k) the place or places where principal, premium and interest will be payable;
- (l) the designation and terms of any other Securities with which the Debt Securities will be offered, if any, and the principal amount of Debt Securities that will be offered with each Security;
- (m) the securities exchange(s) on which such series of Debt Securities will be listed, if any;
- (n) any terms relating to the modification, amendment or waiver of any terms of such Debt Securities or the applicable indenture;
- (o) any change in the right of the trustee or the holders to declare the principal, premium and interest with respect to such series of debt securities to be due and payable;
- (p) governing law;
- (q) any limit upon the aggregate principal amount of the Debt Securities of such series that may be authenticated and delivered under the indenture;
- (r) if other than Spectral or the trustee, the identity of each registrar and/or paying agent;
- (s) if the Debt Securities are issued as a Unit with another Security, the date on and after which the Debt Securities and other Security will be separately transferable;
- (t) if the Debt Securities are to be issued upon the exercise of Warrants, the time, manner and place for such Securities to be authenticated and delivered;
- (u) if the Debt Securities are to be convertible or exchangeable into other securities of Spectral, the terms and procedures for the conversion or exchange of the Debt Securities into other securities; and
- (v) any other specific terms of the Debt Securities of such series, including any events of default or covenants.

Any convertible or exchangeable Debt Securities will be convertible or exchangeable only for other securities of Spectral. In an offering of convertible, exchangeable or exercisable Securities, original purchasers will have a contractual right of rescission against Spectral following the conversion, exchange or exercise of such Securities in the event that this Prospectus, the applicable Prospectus Supplement or any amendment thereto contains a misrepresentation. The contractual right of rescission will entitle such original purchasers to receive, upon surrender of the securities issued upon conversion, exchange or exercise of such Securities, the amount paid for such Securities under the applicable Prospectus Supplement and any additional amounts paid upon the conversion,

exchange or exercise of such Securities, provided that (i) the conversion, exchange or exercise takes place within 180 days from the date of the purchase of such Securities under the applicable Prospectus Supplement and (ii) the right of rescission is exercised within 180 days from the date of the purchase of such Securities under the applicable Prospectus Supplement. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise by law. This right of rescission will not extend to any holders of convertible or exchangeable Debt Securities who acquire such convertible or exchangeable Debt Securities from an initial purchaser on the open market or otherwise.

Debt Securities, if issued in registered form, will be exchangeable for other Debt Securities of the same series and tenor, registered in the same name, for a like aggregate principal amount in authorized denominations and will be transferable at any time or from time to time at the corporate trust office of the relevant trustee. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

Modifications

We may amend any indenture and the Debt Securities without the consent of the holders of the Debt Securities in certain circumstances including to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Debt Securities. A more detailed description of the amendment provisions will be included in the applicable Prospectus Supplement.

Subscription Receipts

Subscription Receipts may be offered separately or together with Common Shares, Debt Securities or Warrants, as the case may be. Subscription Receipts will be issued under a subscription receipt agreement (a “Subscription Receipt Agreement”) that will be entered into between us and the escrow agent (the “Escrow Agent”) at the time of issuance of the Subscription Receipts. Each Escrow Agent will be a financial institution authorized to carry on business as a trustee. If underwriters or agents are used in the sale of any Subscription Receipts, one or more of such underwriters or agents may also be a party to the Subscription Receipt Agreement governing the Subscription Receipts sold to or through such underwriter or agent.

Terms of the Subscription Receipts

The Subscription Receipt Agreement will provide each initial purchaser of Subscription Receipts with a non-assignable contractual right of rescission following the issuance of any Common Shares or Debt Securities, as applicable, to such purchaser upon the exchange of the Subscription Receipts if this Prospectus, the Prospectus Supplement under which the Subscription Receipts are offered, or any amendment hereto or thereto contains a misrepresentation, as such term is defined in the *Securities Act* (Ontario). This contractual right of rescission will entitle such initial purchaser to receive the amount paid for the Subscription Receipts under the applicable Prospectus Supplement and any additional amounts paid upon the exchange of such Securities upon surrender of the Securities issued in exchange therefor, provided that such remedy for rescission is exercised in the time stipulated in the Subscription Receipt Agreement. This right of rescission will not extend to any holders of Subscription Receipts who acquire such Subscription Receipts from an initial purchaser on the open market or otherwise.

The applicable Prospectus Supplement will include details of the Subscription Receipt Agreement covering the Subscription Receipts being offered. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement. A copy of the Subscription Receipt Agreement will be filed by us with securities regulatory authorities after it has been entered into by us and will be available on our SEDAR profile at www.sedar.com.

Subscription Receipts will entitle the holder thereto to receive other Securities (typically Common Shares or Debt Securities), for no additional consideration, upon the completion of a particular transaction or event, typically an acquisition of the assets or securities of another entity by the Company. The subscription proceeds from an offering of Subscription Receipts will be held in escrow by an escrow or other agent (the “Escrowed Funds”) pending the completion of the transaction or the termination time (the time at which the escrow terminates

regardless of whether the transaction or event has occurred). Holders of Subscription Receipts will receive other Securities upon the completion of the particular transaction or event or, if the transaction or event does not occur by the termination time, a return of the subscription funds for their Subscription Receipts together with any interest or other income earned thereon.

This section describes the general terms that will apply to any Subscription Receipts being offered. The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. The particular terms of each issue of Subscription Receipts that will be described in the related Prospectus Supplement will include, where applicable:

- (a) the number of Subscription Receipts;
- (b) the price at which the Subscription Receipts will be offered;
- (c) conditions (the "Release Conditions") for the exchange of Subscription Receipts into Common Shares or Debt Securities, as the case may be, and the consequences of such conditions not being satisfied;
- (d) the procedures for the exchange of the Subscription Receipts into Common Shares or Debt Securities;
- (e) the number of Common Shares or Debt Securities to be exchanged for each Subscription Receipt;
- (f) the currency or currency unit for which Subscription Receipts may be purchased and the aggregate principal amount, currency or currencies, denominations and terms of the series of Common Shares or Debt Securities that may be exchanged upon exercise of each Subscription Receipt;
- (g) the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- (h) the dates or periods during which the Subscription Receipts may be exchanged into Common Shares or Debt Securities;
- (i) the identity of the Escrow Agent;
- (j) the terms and conditions under which the Escrow Agent will hold all or a portion of the gross proceeds from the sale of such Subscription Receipts, together with interest and income earned thereon, or collectively, the Escrowed Funds, pending satisfaction of the Release Conditions;
- (k) the terms and conditions under which the Escrow Agent will release all or a portion of the Escrowed Funds to us upon satisfaction of the Release Conditions and if the Subscription Receipts are sold to or through underwriters or agents, the terms and conditions under which the Escrow Agent will release a portion of the Escrowed Funds to such underwriters or agents in payment of all or a portion of their fees or commissions in connection with the sale of the Subscription Receipts;
- (l) procedures for the payment by the Escrow Agent to holders of such Subscription Receipts of an amount equal to all or a portion of the subscription price of their Subscription Receipts, plus any additional amounts provided for in the Subscription Receipt Agreement, if the Release Conditions are not satisfied;
- (m) the material income tax consequences of owning, holding and disposing of the Subscription Receipts;
- (n) the securities exchange(s) on which the Subscription Receipts will be listed, if any; and

- (o) any other material terms and conditions of the Subscription Receipts.

Prior to the exchange of their Subscription Receipts, holders of Subscription Receipts will not have any of the rights of holders of the securities to be received on the exchange of the Subscription Receipts.

Subscription Receipts, if issued in registered form, will be exchangeable for other Subscription Receipts of the same tenor, at the head office indicated in the Prospectus Supplement. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

Escrow

The Subscription Receipt Agreement will provide that the Escrowed Funds will be held in escrow by the Escrow Agent, and such Escrowed Funds will be released to us (and, if the Subscription Receipts are sold to or through underwriters or agents, a portion of the Escrowed Funds may be released to such underwriters or agents in payment of all or a portion of their fees in connection with the sale of the Subscription Receipts) at the time and under the terms specified by the Subscription Receipt Agreement. If the Release Conditions are not satisfied, holders of Subscription Receipts will receive payment of an amount equal to all or a portion of the subscription price for their Subscription Receipts, plus any additional amounts provided for in the Subscription Receipt Agreement, in accordance with the terms of the Subscription Receipt Agreement.

Modifications

The Subscription Receipt Agreement will specify the terms upon which modifications and alterations to the Subscription Receipts issued thereunder may be made by way of a resolution of holders of Subscription Receipts at a meeting of such holders or by way of consent in writing from such holders. The number of holders of Subscription Receipts required to pass such a resolution or execute such a written consent will be specified in the Subscription Receipt Agreement. The Subscription Receipt Agreement will also specify that we may amend the Subscription Receipt Agreement and the Subscription Receipts, without the consent of the holders of the Subscription Receipts, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of the holder of outstanding Subscription Receipts or as otherwise specified in the Subscription Receipt Agreement.

Warrants

The following sets forth certain general terms and provisions of the Warrants. We may issue Warrants for the purchase of Common Shares, Debt Securities or other securities of Spectral. Warrants may be issued independently or together with Common Shares, Debt Securities, Subscription Receipts or other Securities offered by any Prospectus Supplement and may be attached to, or separate from, any such offered Securities. Each series of Warrants will be issued under a warrant indenture or agreement between us and a warrant agent that we will name in the applicable Prospectus Supplement.

Terms of the Warrants

Each initial purchaser of Warrants that are exercisable within 180 days of the date of purchase will have a non-assignable contractual right of rescission following the issuance of any securities to such purchaser upon the exercise of the Warrants if this Prospectus, the Prospectus Supplement under which the Warrants are offered, or any amendment hereto or thereto contains a misrepresentation, as such term is defined in the *Securities Act* (Ontario). This contractual right of rescission will entitle such initial purchaser to receive the amount paid for the Warrants, including any additional amounts paid upon the exercise of such Warrants, upon surrender of the securities issued on the exercise thereof, provided that such remedy for rescission is exercised within 180 days from the date of the purchase of such Warrants under the applicable Prospectus Supplement. This right of rescission will not extend to any holders of Warrants who acquire such Warrants from an initial purchaser on the open market or otherwise.

The applicable Prospectus Supplement will include details of the warrant agreement(s) covering the Warrants being offered. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement. A copy of the

agreement governing the Warrants will be filed by us with securities regulatory authorities after it has been entered into by us and will be available on our SEDAR profile at www.sedar.com.

Warrants will entitle the holder thereof to receive other Securities (typically Common Shares or Debt Securities) upon the exercise thereof and payment of the applicable exercise price. A Warrant is typically exercisable for a specific period of time at the end of which time it will expire and cease to be exercisable.

This section describes the general terms that will apply to any Warrants being offered. The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. The particular terms of each issue of Warrants that will be described in the related Prospectus Supplement will include, where applicable:

- (a) the designation of the Warrants;
- (b) the aggregate number of Warrants offered and the offering price;
- (c) the designation, number and terms of the Common Shares, Debt Securities or other Securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- (d) the exercise price of the Warrants;
- (e) the dates or periods during which the Warrants are exercisable;
- (f) the designation and terms of any securities with which the Warrants are issued;
- (g) if the Warrants are issued as a Unit with another Security, the date on and after which the Warrants and the other Security will be separately transferable;
- (h) the currency or currency unit in which the exercise price is denominated;
- (i) whether such Warrants will be subject to redemption or call, and if so, the terms of such redemption or call provisions;
- (j) any minimum or maximum amount of Warrants that may be exercised at any one time;
- (k) whether such Warrants will be listed on any securities exchange;
- (l) whether the Warrants will be issued in fully registered or global form;
- (m) any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- (n) any rights, privileges, restrictions and conditions attaching to the Warrants;
- (o) the material income tax consequences of owning, holding and disposing of the Warrant; and
- (p) any other specific terms.

Warrant certificates, if issued in registered form, will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto. Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the Securities subject to the Warrants.

Modifications

We may amend any agreement governing the Warrants and the Warrants themselves, without the consent of the holders of the Warrants in certain circumstances including to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Warrants. A more detailed description of the amendment provisions will be included in the applicable Prospectus Supplement.

Enforceability

The warrant agent will act solely as our agent. The warrant agent will not have any duty or responsibility if we default under any agreement governing the Warrants or the warrant certificates. A Warrant holder may, without the consent of the warrant agent, enforce, by appropriate legal action on its own behalf, the holder's right to exercise the holder's Warrants.

Units

The following sets forth certain general terms and provisions of the Units. We may issue Units comprised of only one or more of the other Securities described in this Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each Security included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

Terms of the Units

Any Prospectus Supplement for Units supplementing this Prospectus will contain the terms and other information with respect to the Units being offered thereby, including:

- (a) the designation and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately;
- (b) any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units;
- (c) how, for income tax purposes, the purchase price paid for the Units is to be allocated among the component Securities;
- (d) the currency or currency units in which the Units may be purchased and the underlying Securities denominated;
- (e) the securities exchange(s) on which such Units will be listed, if any;
- (f) whether the Units and the underlying Securities will be issued in fully registered or global form; and
- (g) any other specific terms of the Units and the underlying Securities.

The preceding description and any description of Units in the applicable Prospectus Supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to any agreement(s) governing the Units and, if applicable, collateral arrangements and depositary arrangements relating to such Units.

Modifications

We may amend any agreement governing the Units and the Units themselves, without the consent of the holders of the Units in certain circumstances including to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests

of holders of outstanding Units. A more detailed description of the amendment provisions will be included in the applicable Prospectus Supplement.

PRIOR SALES

We have not sold or issued any Debt Securities, Subscription Receipts, Warrants or securities convertible into Debt Securities, Subscription Receipts, Warrants or Units during the 12 months prior to the date hereof. The following table summarizes our issuances of Common Shares and securities convertible into Common Shares during the 12 months prior to the date of this Prospectus:

Date	Type of Security Issued	Number of Securities Issued	Issuance/Exercise Price per Security
October 29, 2019	Common Shares ⁽²⁾	10,500	\$0.375
December 3, 2019	Common Shares ⁽¹⁾	50,000	\$0.45
January 7, 2020	Common Shares ⁽¹⁾	250,000	\$0.45
January 9, 2020	Common Shares ⁽¹⁾	700,000	\$0.45
January 10, 2020	Common Shares ⁽²⁾	1,062	\$0.375
January 22, 2020	Common Shares ⁽¹⁾	50,000	\$0.45
January 23, 2020	Common Shares ⁽¹⁾	100,000	\$0.45
February 6, 2020	Common Shares ⁽²⁾	100,000	\$0.375
February 10, 2020	Common Shares ⁽²⁾	17,000	\$0.375
February 11, 2020	Common Shares ⁽²⁾	100,000	\$0.375
February 12, 2020	Common Shares ⁽²⁾	476,000	\$0.375
February 13, 2020	Common Shares ⁽²⁾	60,000	\$0.375
February 14, 2020	Common Shares ⁽²⁾	110,000	\$0.375
February 18, 2020	Common Shares ⁽²⁾	265,000	\$0.395
February 26, 2020	Options	1,375,000	\$0.63
June 4, 2020	Options	209,872	\$0.58
June 18, 2020	Units ⁽³⁾	8,500,000	\$0.60
June 18, 2020	Broker Warrants ⁽⁴⁾	510,000	\$0.60

⁽¹⁾ Common shares issued pursuant to the exercise of Warrants.

⁽²⁾ Common shares issued pursuant to the exercise of stock options.

⁽³⁾ Each Offered Unit consisted of one Unit Share and one-half of one Offered Warrant, each whole Offered Warrant entitling the holder thereof to acquire one common share at a price of \$0.75 per share until June 18, 2022.

⁽⁴⁾ Each Broker Warrant entitles the holder to acquire one common share at a price of \$0.60 per share until June 18, 2022.

TRADING PRICES AND VOLUMES

The following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Common Shares on the TSX.

Date	Price Range⁽¹⁾		Monthly Trading Volume⁽²⁾
	High (\$)	Low (\$)	
July 1 – July 2, 2020	0.56	0.54	18,008
June 2020	0.70	0.54	1,185,446
May 2020	0.77	0.58	1,906,567

April 2020	0.81	0.45	3,087,160
March 2020	0.67	0.37	1,644,326
February 2020	0.77	0.59	2,098,363
January 2020	0.85	0.67	1,832,968
December 2019	0.80	0.62	1,844,092
November 2019	0.70	0.48	2,862,130
October 2019	0.50	0.39	1,315,487
September 2019	0.44	0.36	754,869
August 2019	0.40	0.36	686,649
July 2019	0.42	0.36	648,617
June 2019	0.47	0.355	737,075

⁽¹⁾ Includes intra-day lows and highs.

⁽²⁾ Total volume traded in the month.

PLAN OF DISTRIBUTION

The Company may sell the Securities to or through one or more underwriters or dealers, purchasing as principals for public offering and sale by them, and may also sell Securities to one or more other purchasers directly or through agents. Securities sold to the public pursuant to this Prospectus may be offered and sold exclusively in Canada. The Prospectus Supplement relating to an offering of Securities will indicate the jurisdiction or jurisdictions in which such offering is being made to the public and will identify the person(s) offering the Securities. Each Prospectus Supplement will set out the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price or prices of the Securities (or the manner of determination thereof if offered on a non-fixed price basis), and the proceeds to us from the sale of the Securities. Only underwriters, dealers or agents so named in the Prospectus Supplement are deemed to be underwriters, dealers or agents, as the case may be, in connection with the Securities offered thereby.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The prices at which the Securities may be offered may vary between purchasers and during the period of distribution. If, in connection with the offering of Securities at a fixed price or prices, the underwriters have made a bona fide effort to sell all of the Securities at the initial offering price fixed in the applicable Prospectus Supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in such Prospectus Supplement, in which case the compensation realized by the underwriters, dealers or agents will be decreased by the amount that the aggregate price paid by purchasers for the Securities is less than the gross proceeds paid by the underwriters, dealers or agents to us.

Underwriters, dealers or agents may make sales of Securities in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an “at-the-market” offering as defined in and subject to limitations imposed by and the terms of any regulatory approvals required and obtained under, applicable Canadian securities laws, which includes sales made directly on an existing trading market for the Common Shares, or sales made to or through a market maker other than on an exchange. In connection with any offering of Securities, except with respect to “at-the-market” offerings, underwriters may over-allot or effect transactions which stabilize or maintain the market price of the offered Securities at a level above that which might otherwise prevail in the open market. A purchaser who acquires any Securities forming part of the underwriters’ over-allocation position acquires those securities under the applicable Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the over-allotment option or secondary market purchases. Such transactions may be commenced, interrupted or discontinued at any time. No underwriter or dealer involved in an “at-the-market” offering, as defined under applicable Canadian securities laws, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with such an underwriter or dealer will over-allot Securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the

market price of the Securities. In the event that the Company determines to pursue an “at-the-market” offering in Canada, the Company shall apply for the applicable exemptive relief from the Canadian securities commissions.

If underwriters or dealers purchase Securities as principals, the Securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters or dealers to purchase those Securities will be subject to certain conditions precedent, and the underwriters or dealers will be obligated to purchase all the Securities offered by the Prospectus Supplement if any of such Securities are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid may be changed from time to time.

The Securities may also be sold directly by us in accordance with applicable securities laws at prices and upon terms agreed to by the purchaser and us, or through agents designated by us, from time to time. Any agent involved in the offering and sale of Securities pursuant to a particular Prospectus Supplement will be named, and any commissions payable by us to that agent will be set forth in such Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent would be acting on a best efforts basis for the period of its appointment.

In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from us in the form of commissions, concessions and discounts. Any such commissions may be paid out of our general funds or the proceeds of the sale of Securities. Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with us to indemnification by us against certain liabilities, including liabilities under Canadian securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

Each issue by the Company of Debt Securities, Subscription Receipts, Warrants and Units will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to an offering of Debt Securities, Subscription Receipts, Warrants and Units, such Securities will not be listed on any securities or stock exchange. Any underwriters, dealers or agents to or through whom such Securities are sold may make a market in such Securities, but they will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that a trading market in any such Securities will develop or as to the liquidity of any trading market for such Securities.

In connection with any offering of Securities, the applicable Prospectus Supplement will set forth any intention by the underwriters, dealers or agents to offer, allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time.

PARTICIPATION RIGHTS

The Company entered into an agreement with Toray, dated March 7, 2013 (the “Toray Private Placement Agreement”), and an agreement with the Birch Hill Equity Partners Management Inc. (“Birch Hill”), as the general partner of each of Birch Hill Equity Partners IV, LP, Birch Hill Equity Partners (US) IV, LP, and Birch Hill Equity Partners (Entrepreneurs) IV, LP (collectively, the “Birch Hill LPs”), dated June 10, 2014 (the “Birch Hill Private Placement Agreement”), in each case, pursuant to which, among other things, it has granted Toray and the Birch Hill LPs with a contractual right to participate in certain issuances by the Company of Common Shares to maintain their *pro rata* ownership percentage of the Company (the “Participation Rights”). Toray and the Birch Hill LPs are collectively referred to herein as the “Strategic Investors”.

Pursuant to such Participation Rights, the Company has undertaken to provide written notice of the proposed issuance by the Company of any additional Common Shares from time to time (each a “Common Share Issue Notice”). Upon receipt of a Common Share Issue Notice, Toray and the Birch Hill LPs have the right, exercisable within 30 days (in the case of Toray) and 10 business days (in the case of the Birch Hill LPs) of receiving such notice, to subscribe for and purchase from the Company, such number of Common Shares that will allow the respective Strategic Investor to maintain an aggregate percentage ownership interest in the Company equal

to the aggregate percentage ownership interest in the Company that the respective Strategic Investor held prior to any such new issuance of Common Shares (the “New Issuance”), at a price per Common Share equal to the issue price per Common Share under the New Issuance.

Issuances under the Prospectus may trigger the Participation Rights of the Strategic Investors, entitling them to purchase from the Company up to the number of Common Shares necessary to maintain their respective percentage equity ownership interests in the Company at the Offering Price. As of the date of this Prospectus, Toray currently owns 45,630,105 Common Shares, or approximately 19.3% of the issued and outstanding Common Shares, and the Birch Hill LPs currently own or control 36,017,718 Common Shares, or approximately 15.2% of the issued and outstanding Common Shares, in each case, calculated on a non-diluted basis.

The Participation Rights granted to Toray in the Toray Private Placement Agreement terminate on the date that Toray sells, assigns or transfers any of the Common Shares purchased under the Toray Private Placement Agreement to any person other than to an affiliate of Toray. The Participation Rights granted to the Birch Hill LPs in the Birch Hill Private Placement Agreement terminate on the date that the Birch Hill LPs no longer own in the aggregate 5% or more of the Common Shares outstanding from time to time (calculated on a non-diluted basis).

CERTAIN INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will describe certain material Canadian federal income tax consequences to an investor of the acquisition, ownership and disposition of any Securities offered thereunder.

LEGAL MATTERS

Unless otherwise specified in a Prospectus Supplement relating to a specific offering of Securities, certain legal matters relating to the offering of Securities will be passed upon on our behalf by Stikeman Elliott LLP. As of the date hereof, partners and associates of Stikeman Elliott LLP own beneficially, directly or indirectly, less than 1% of any of our securities or any of our associates or affiliates. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters or agents, as applicable, by counsel to be designated at the time of the offering.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is PricewaterhouseCoopers LLP, PwC Centre, 354 Davis Road, Suite 600, Oakville ON Canada L6J 0C5. The auditor is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

PURCHASERS’ STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

Original purchasers of convertible, exchangeable or exercisable Securities are further cautioned that in an offering of convertible, exchangeable or exercisable Securities, the statutory right of action for damages for a

misrepresentation contained in a prospectus is, under the securities legislation of certain provinces, limited to the price at which the convertible, exchangeable or exercisable Security was offered to the public under the prospectus offering. Accordingly, any further payment made at the time of conversion, exchange or exercise of the security may not be recoverable in a statutory action for damages in such provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

In an offering of convertible, exchangeable or exercisable Securities, original purchasers will have a contractual right of rescission against Spectral following the conversion, exchange or exercise of such Securities in the event that this Prospectus, the applicable Prospectus Supplement or any amendment thereto contains a misrepresentation. The contractual right of rescission will entitle such original purchasers to receive, upon surrender of the securities issued upon conversion, exchange or exercise of such Securities, the amount paid for such Securities under the applicable Prospectus Supplement and any additional amounts paid upon the exercise of such Securities, provided that (i) the conversion, exchange or exercise takes place within 180 days from the date of the purchase of such Securities under the applicable Prospectus Supplement and (ii) the right of rescission is exercised within 180 days from the date of the purchase of such Securities under the applicable Prospectus Supplement. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) and is in addition to any other right or remedy available to original purchasers under Section 130 of the *Securities Act* (Ontario) or otherwise by law.

CERTIFICATE OF THE COMPANY

Dated: July 3, 2020

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, except Québec.

SPECTRAL MEDICAL INC.

(Signed) Paul Walker

Chief Executive Officer

(Signed) Chris Seto

Chief Financial Officer and
Chief Operating Officer

On behalf of the Board of Directors

(Signed) Anthony Bihl, III

Director

(Signed) William Stevens

Director