

## TERM SHEET

### Spectral Medical Inc.

### Public Offering of Units

### Term Sheet – October 26, 2022

*A preliminary short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces of Canada other than Quebec.*

*A copy of the preliminary short form prospectus, and any amendment, is required to be delivered with this document. The preliminary short form prospectus is still subject to completion. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.*

*This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, the final short form prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.*

- Issuer:** Spectral Medical Inc. (“**Company**”).
- Offered Securities:** Units of the Company (the “**Units**”), with each Unit consisting of one common share (a “**Common Share**”, and as a constituent of the Unit, a “**Unit Share**”) in the capital of the Company and one-half (½) of one Common Share purchase warrant (each whole Common Share purchase warrant, a “**Warrant**”) of the Company.
- Each Warrant shall be exercisable to acquire one Common Share (a “**Warrant Share**”) at a price of \$0.48 for a period of 36 months following the Closing Date (as defined below).
- Offering Size:** Minimum of C\$3,500,000.
- Issue Price:** \$0.40 per Unit (the “**Unit Issue Price**”).
- Over-Allotment Option:** The Company will grant to Paradigm Capital Inc. (the “**Agent**” or “**Paradigm**”) an option to offer for sale up to an additional 15% of the Offering (as defined herein), exercisable in whole or in part at the Agent’s sole discretion, at any time until the date that is 30 days from and including the closing date of the Offering, to cover over-allotments, if any, and for market stabilization purposes (the “**Over-Allotment Option**”). For greater certainty, the Over-Allotment Option shall be exercisable for additional Units, Warrants, and/or Common Shares (or any combination thereof).
- Use of Proceeds:** The net proceeds from the Offering shall be primarily used by the Company on its Phase III registration trial (Tigris) for its PMX treatment for endotoxemic septic shock and for general corporate and working capital purposes.

**Concurrent Private Placement:** Concurrent with the Unit Offering, the Company will issue US\$5 million in aggregate principal amount of 7.0% convertible senior notes (the “**Notes**”) due in 2026 (the “**Maturity Date**”) to a subscriber with whom the Company has an existing commercial relationship (“**Primary Note Subscriber**”) and Pinnacle Island LP (the “**Note Offering**”, together with the Unit Offering the “**Offering**”). Holders of the Notes may convert all or any portion of the Notes in integral multiples of US\$1,000 principal amount at any time prior to the Maturity Date. The conversion price for the Notes will initially be equal to a 30% premium to the price allocated to the Common Shares underlying the Units, subject to customary anti-dilution adjustments.

**Form of Unit Offering:** Best efforts public offering, subject to a formal agency agreement, including standard industry “material adverse change out”, “disaster out”, “regulatory out”, “market out”, “due diligence out” and “breach out” clauses running up to the Closing Date.

**Jurisdictions:** The qualifying jurisdictions for this Offering will be all the provinces of Canada, other than Quebec. The Units may also be sold outside of Canada and in the United States on a private placement basis pursuant to available exemptions in accordance with all applicable laws and provided that no prospectus or registration statement filing or comparable obligation arises.

**Listing:** The Company will apply to have the Unit Shares and Warrants Shares (including the Common Shares underlying the Compensation Options (as defined below)) listed on the Toronto Stock Exchange (“**TSX**”). The Common Shares are currently listed on the TSX under the symbol “EDT”.

**Eligibility:** Eligible under the usual statutes and for RRSPs, RRIFs, RESPs, RDSPs, and TFSAs.

**Agent:** Paradigm Capital Inc. 100%

**Commission:** The Agent will be paid by the Company on the closing of the Offering and closing of the Over-Allotment Option, if any, a cash commission equal to: (i) C\$510,000 on gross proceeds of C\$8,500,000; and (ii) 6% of gross proceeds on any amounts raised pursuant to the Offering in excess of \$8,500,000 (together the “**Cash Commission**”). The Company shall also issue to the Agent: (i) 637,500 compensation options on the sale of C\$8,500,000 of Units and Notes; and (ii) that number of compensation options as is equal to 6% of the Units and Notes issued on the sale of Units and Notes in excess of C\$8,500,000 (including on any exercise of the Over-Allotment Option) (together the “**Compensation Options**”), each exercisable for one Common Share at the Unit Issue Price for a period of three (3) years following the Closing Date.

**Connected Issuer:** The general partner of Pinnacle Island LP is 1000318530 Ontario Inc., a subsidiary of Paradigm Capital Partners Limited. Paradigm Capital Partners Limited is both an influential securityholder of Paradigm and will also be a limited partner of Pinnacle Island LP. Paradigm, Paradigm Capital Partners Limited and 1000318530 Ontario Inc. share a common officer and director. Upon completion of the Offering, Pinnacle Island LP will be an unsecured creditor of the Company, and the Company may be considered a connected issuer (as such term is defined in National Instrument 33-105 – Underwriting Conflicts) to the Agent.

Although none of the net proceeds from the Offering will be applied for the benefit of the Agent, these relationships may be potential sources of conflict before and after the completion of the Offering. Before completion of the Offering, conflicts could arise with respect to the determination of the terms of the Offering, and the due diligence to be completed as part of the Offering. After completion of the Offering, the potential ongoing creditor relationship (or shareholder relationship if the Notes are converted into Common Shares) could result in the Agent having an undue influence on the business and affairs of the Company. Upon completion of the Offering, Pinnacle Island LP, as a creditor of the Company, may have interests that diverge from the interests of the Company.

**Closing Date:** On or about November 1, 2022

Closing of the Offering is subject to completion of the Concurrent Private Placement.

*Investing in the Units involves significant risks. Prospective investors should carefully read and consider the risk factors described or referenced under the heading "Risk Factors" in the Prospectus and contained in any of the documents incorporated by reference therein, before purchasing Units. There is currently no market through which the Units and Warrants may be sold and purchasers may not be able to resell any Units or Warrants purchased under the Prospectus. This may affect the pricing of such Units and Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such Units and Warrants and the extent of issuer regulation. See "Risk Factors" in the Prospectus.*